

No. 9

ANALYSIS OF ESTIMATES CONTAINED IN THE "CIA REVIEW OF THE WORLD SITUATION,"  
September 1947 - January 1950

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I. Theories Underlying the Estimates

The authors of the Central Intelligence "Review of the World Situation"<sup>1</sup> examined passing events in accordance with their broad analysis of the post-war balance of power, thus, in effect, establishing a comprehensive definition of "US security interest"<sup>2</sup> which could be used as a guide to the relative significance of particular events. Their basic theses, which is a logical extension of that set forth in "ORE-1"<sup>3</sup> is stated in the first issue of the "Review," is repeated, with such modifications as are called for, in later issues, and is developed in its most elaborate form in "CIA O-49,"<sup>4</sup> a special issue devoted to a rationale to cover succeeding reports to be published during 1949.

At the center of the analysis is, of course, the Soviet Union which is considered simultaneously as the headquarters of world communism and simply as modern Russia. Soviet behavior is interpreted accordingly.

Thus "ORE-1" predicts that the Soviet Government "will seek to increase its relative power by building up its own strength and undermining that of its assumed antagonists," because it assumes an inevitable conflict with the capitalist world.<sup>5</sup> In line with the Communist background, furthermore: "By indoctrination, experience, and personal interest, the rulers of the USSR are predisposed toward the pursuit of

10/1 NOTE: The marginal references are to pertinent current events, to the issues of the "Review" under discussion, and to the successive national estimates from which the statements in the "Review" were derived or to which they were related.

1. See No. 9 for discussion of this publication.
2. See Nos.                for discussion of difficulties with definitions of this term,
3. "Soviet Foreign and Military Policy," July 23, 1946
4. Published January 19, 1949
5. ORE-1, p. 1

10/2

1. CIA-1, p. 2
2. ORE-1, p. 3
3. CIA O-49, pp. 5-6
4. ORE-1, p. 4

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their objectives by conspiratorial rather than by military methods.<sup>1</sup> Similarly, the concept of "capitalist encirclement" which furnishes a rationale for Politburo behavior, though it may be "absurd in relation to so vast a country with such wealth of human and material resources and no powerful or aggressive neighbors, is not subject to rational disproof, precisely because it is not the result of objective analysis."<sup>2</sup> On the other hand, "The method (of Soviet aggrandizement on the continent of Asia) will probably be that inherent in the strategy of a traditional land power --- slow expansion by political absorption of immediately adjacent areas, not leaping ahead militarily into advanced but geographically isolated positions."<sup>3</sup>

Thus far, according to the "Review's" thesis, the USSR had not been strong enough to engage in a war against the United States without fear of disaster. Time, nevertheless, was "calculably on the side of the Soviet Union, since natural population growth and projected economic development should result in gradual increase in its relative strength."<sup>4</sup> If this were true, the time in question would be used by the USSR to build up the power of the Soviet state; to expand the area of its influence, to prevent dangerous combinations of foreign powers against the USSR, and to divide and weaken the assumed enemies of Communism. From these assumptions it could be concluded that while the USSR would refrain from acts calculated to foment immediate war with the capitalist powers, it would make all efforts short of war to extend its influence (as in Eastern Europe); would react strongly to any capitalist maneuvers that seemed to threaten a strong anti-Soviet

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coalition, and would work through Communist parties, propaganda, and whatever other methods were at hand, to undermine the unity of its anti-Communist powers.

This thesis, as expressed in "ORE-1," is somewhat simplified and objectified in terms of the world situation as of September, 1947. "CIA-1," the first issue of the "Review," argues that: (1) the USSR was the only nation capable of threatening the security of the United States; and (2) the USSR, though "incapable of military aggression outside of Europe and Asia" was "capable of overrunning most of continental Europe, the Near East, northern China, and Korea"; but (3) the USSR would not yet resort to war but would work to build its influence by all other methods including the economic, political, and psychological warfare which it was said even then to be deliberately conducting against the United States.

The world balance of power having shifted somewhat against the United States since the war, it was necessary, in order to safeguard the security of the United States, to redress that balance. In order to do this, it would be necessary to stabilize the situation in Europe and Asia. In particular, a way would have to be found to avert the danger of a European economic collapse. Such an event, should it occur, would open the way for the already far-advanced development of European Communism and might mean the consolidation of Communist--and thus Soviet--control in Europe. The resultant shift in the balance of power, which would be extremely serious for the United States, was one that might occur fairly quickly. Similar developments were possible in the Near East whose loss to the West would be second in seriousness

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only to that of Europe. Communist successes were impending in the Far East, but the effects, in terms of the balance of power, would be less immediate. Hence the "Review"---for purposes of intelligence analysis---presented the regions of primary concern to US security, as Western Europe, the Near and Middle East, and the Far East in that order of importance.

This order of priority (stated in CIA-1, reaffirmed in CIA-4, and adhered to in CIA O-49) is defended at some length in the first issue. The argument begins by pointing out that Soviet predominance in Eurasia was not so much a result of absolute Soviet strength as a collapse or weakening of the powers previously restraining the USSR. In consequence of the defeat of Japan and Germany and of the post-war weakening of all of Western Europe, there was not on the whole continent of Asia any important restraining force to Soviet ambitions, even though the Soviet war potential were considered to be no stronger than it had been in 1939. If the USSR were to exercise its full capabilities in Eurasia, asserted "CIA-1," "the ultimate danger to the United States would be even greater than that threatened by Germany and Japan, to avert which the United States incurred the risk of war."<sup>1</sup> (Or in the words of "CIA O-49" "The geographical security problem created by the possible consolidation of the power resources of Europe and Asia under a single authority has been theoretically discussed over thirty years. Only the present bi-polarity of power in the world convincingly sets the stage for this possibility to become a reality. It is now necessary to assume the beginnings of such a trend."<sup>2</sup>)

10/4

1. CIA-1, p. 1
2. CIA 0-49, p. 5

10/5

1. CIA-1, p. 3
2. CIA-1, p. 5, para. 13

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Western Europe, which was the primary target of the USSR, merited first consideration because "it is at once the most vulnerable to disorganization and the most favorable for the early development of potential power. It is also most accessible from the center of Soviet power, and conversely, best located for the eventual exertion of<sup>1</sup> restraining pressure upon the Soviet Union." Related to Western European power, it was pointed out, were the former colonial empires of the countries concerned where the situation was also highly favorable to Soviet purposes.

The Near East was considered to take second priority to Western Europe because of its essential paucity in "human and material resources." Its importance lay in its strategic location "as a barrier to further Soviet expansion....a potential base from which power developed elsewhere could be brought to bear on the sources of Soviet power" and, of course, its possession of oil. Within the Near East, Greece and Palestine were considered as areas of particular immediate<sup>2</sup> danger so far as US interests were concerned.

The reasons for the subordinate position of the Far East were its undeveloped state and its relative remoteness. Putting aside Japan (which became a special case) it was argued that neither the United States nor the USSR could, within any period of present concern, develop the Far East into a power center of vital importance. This, coupled with the remoteness of most of the Far Eastern region from the centers of power of both countries, made the Far East of less immediate concern than the other two in the world balance of power as it then



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existed. While the immense potential importance of the Far East was necessarily recognized, the area could not claim the same degree of attention from the point of view of US security as did Western Europe and the Near and Middle East. This point, of course, was debatable, but it was maintained consistently in the CIA series despite the rapid deterioration of conditions in the Far East noted by the "Review" during the period covered by the estimates.

Japan was recognized as a special problem within the context of the Orient because it represented an area capable of relatively quick development as a power center where the Occupation had succeeded in introducing a certain degree of economic stability. If, as was possible, Japan were to be drawn into the Communist sphere of influence, the position of the United States in Asia and the Western Pacific would be greatly weakened if not ultimately destroyed. Conversely, "The rehabilitation of Japan under US influence or control (with provision of essential imports from Southeastern Asia), while it would tend to alienate China, would create a power tending to counterbalance the Soviet Far East and so to stabilize the regional situation."<sup>1</sup>

The other regions of the world are not listed in the "Review" as in the same category with the three discussed above. Latin America is the subject of routine discussion in most issues of the "Review," and Africa receives occasional mention, chiefly as related to the development of unrest in the Western European dependencies of North Africa.

"CIA O-49" which was deliberately written as a frame of reference for the estimates to be written during 1949, was primarily concerned

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1. CIA-1, p. 7, para. 19

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with the bi-polar nature of post-war world politics. The paper assumed that the USSR, not only as a state devoted to the promotion of world Communism but as a "traditional land power" would tend to expand its control into adjacent land areas by methods traditionally associated with land powers; but that the United States, as a power whose continental boundaries had become consolidated would normally project its influence over water and through the air. For these reasons the two, having no common boundary except possibly at the Bering Strait, would not come into direct conflict during the coming year. Their interests, however, would clash in areas peripheral to both. "CIA O-49" adopts the same area priorities for US security that had been set up in "CIA-1."

CIA O-49 is more theoretical than CIA-1 and purports to deal with the principal world forces having a direct bearing on United States security, rather than solely with the immediate balance of power. With this in view, the paper grouped "security situations" under three headings: Geographical, Sociological, and Domestic.

Under "domestic" were considered all the factors within a modern "power state," including the general morale of its citizens, that make the fullest exercise of its power possible. This category, however, despite its obvious importance, was yet often beyond the competence of Central Intelligence because the "domestic" situation of the United States was excluded by legal definition, while that within the USSR was circumscribed by virtue of insufficient intelligence.

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The "geographical" category (involving actual territorial expansion) was described as the most important of the three because of the tangible danger involved. For this reason, the geographical factor had always to be kept in mind, but under the circumstances of 1949, the "Review" predicted that it would frequently become of less immediate concern than the sociological factor.

Post-war Communist gains being either an accomplished fact as in Eastern Europe, or beyond immediate restitution as in China, the real battle would be fought for what "CIA O-49" terms the "Asiatic littoral": Europe, the Near East, the Indian sub-continent, and Southeast Asia. Korea and Japan though in a somewhat different category are essentially part of the same concept. In these regions, the two great powers were not in direct physical contact, the nations in question being independent or technically independent, and able to pursue their own self interest. Because of the bi-polar nature of world politics, however, all of them were likely to be drawn into one or the other sphere of influence. Which way any of them was drawn would be a matter of the greatest importance to both major powers. The nature of this peripheral conflict was such that the warfare would be mainly psychological and would not involve a direct or indirect immediate clash between the armed forces of the US and the USSR. For this reason, CIA O-49 predicted, sociological issues, though actually secondary, would often be in the forefront of estimates in the coming year.

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## II. Summary of Estimates Contained in the CIA Review of the World Situation, 1947-1950

The ensuing review of the "Reviews" is necessarily incomplete. In the course of covering the world situation over a period of twenty-eight months replete with momentous and near-momentous events, the "Review" naturally touched upon minor issues and marginal developments. In general the intention here has been to omit these and to attempt to identify what constitute the principal estimates of national character that appear in the course of the "Review's" history to 1950.

The discussion is divided according to the priorities set up by the Review itself (Western Europe, the Near and Middle East, and the Far East) plus Eastern Europe (the Soviet Satellite area) which necessarily entered into much of the analysis. Discussion of the USSR--its intentions and capabilities--which was naturally the main intelligence target, does not come under a separate heading because it could not but enter into every phase of the "Review's" interpretation of world events in relation to the Security of the United States.

### A. Intelligence Analysis of Western Europe <sup>1</sup>

The analysis of Western Europe, as related to the security position of the United States begins with the sentence: "Thus, the greatest present danger to U.S. security lies, not in the military strength of the USSR and the possibility of Soviet armed aggression, but in the possibility of the economic collapse of Western Europe and of the consequent accession to power of elements subservient to the Kremlin." <sup>2</sup>

10/9

1. W. Germany, Benelux, Switzerland, France, Italy, Iberian Peninsula; colonial possessions
2. CIA-1, p. 2, para. 4

10/10

1. It was proposed the previous June. ERP was begun on September 7, ten days before the publication of CIA-1.
2. See particularly ORE 47/1, "Current Situation in Italy," February 10, 1948.

CIA-1  
September 26,  
1947

With this consideration in view, "CIA-1" found the outlook not especially encouraging in September 1947. Beginning with the United Kingdom, the "Review" points out, as it continued to do in several subsequent issues, that Britain no longer had the financial strength to act as a world stabilizing influence. To the extent that the British were temporarily impoverished, the security interests of the United States were adversely affected. Restoration of British financial strength thus became a United States security requirement.

ERP  
established  
September 7

The French economic situation was considered more critical than that of the United Kingdom because France, suffering from economic difficulties similar to those of Great Britain, was less able to cope with them by virtue of recurrent political instability. Meanwhile, it was noted that the Communists, the most numerous political party in France, were hardly interested in promoting economic stability. A French economic collapse was thus considered possible. The "Review" estimated that if it were to come swiftly, the result would probably be a Communist accession to power; if it were more gradual, it would probably lead to a Gaullist solution. In either case, the change could probably not be effected without civil war.

The Italian situation was similar but was complicated by the armed strength of the Communists and by the proximity of Yugoslavia.  
1  
For a time before the Marshall Plan had become wholly operative in Italy, a guerrilla "revolution" in Italy similar to that in Greece and  
2  
with similar satellite aid, was considered as a serious possibility.

Regarding Germany, it was noted that, despite all the ills and uncertainties afflicting that country, the people had proved more resistant to Communism than the French or Italians. Under these circumstances, it was thought that the situation, even in the Soviet zone, was probably unsatisfactory from the Russian point of view. The key point respecting Germany, however, was that "the economic rehabilitation of Germany, particularly of the Ruhr, is essential to general European recovery as well as to local stability."<sup>1</sup> In later issues of the publication, it was constantly recognized that the USSR was as conscious of this truth as was the West and that for this reason it would always react strongly to any moves aimed at German economic rehabilitation in the interests of the West. In this context, the Ruhr often becomes the key to the "Review's" European analysis.

"Current  
Situations in  
Mediterranean  
Area,"  
September  
5-18, 1947

In connection with Western Europe there is also a discussion in CIA-1 of the situation in colonial or former colonial areas upon the resources of which several European powers had hitherto been accustomed to depend.

"From Morocco to Indonesia" said the "Review" in summing up colonial developments, "the situation is disturbed by resurgent native nationalism and communal strife. Armed conflict exists between natives and Europeans in Indonesia, Indochina, and Madagascar, and between native communities in India and Pakistan. Armed communal strife is incipient in Palestine. Between Britain and Egypt the matter is one of international dispute. Unrest is widespread in French North Africa. None of these situations gives promise of early stabilization. The continuance of unsettled conditions hinders economic recovery and causes a diversion of European strength into efforts to maintain or reimpose control by force. In these circumstances the traditional liberal policies of the United States and its interest in early stabilization are in apparent conflict with its interest in supporting friendly European governments. There is a consistent tendency to bring these matters before the United Nations, where their effect is to divide the non-Soviet powers. Although the USSR is in no position to intervene by force in these situations, it is actively exploiting them to create dissension, to undermine the economic and political stability of European states, and to discredit them and the United States."<sup>2</sup>



10/11

1. CIA-1, Page 4, Paragraph 11
2. CIA-1, Pages 4-5, Paragraph 12

10/12

1. Congress had approved the appropriations for Greece and Turkey the previous May.
2. Organization announced on October 5.
3. CIA-2, Page 1, Paragraph 1

This concept, repeated in various places, forms the basis for a large part of the "Review's" world analysis having to do with colonial problems.

CIA-2,  
November 14

Two months later (November 14, 1947) the second issue of the World Review attempted to assess the developing situation in accordance with the doctrines set forth in CIA-1. The principal factor in the assessment is the beginning of United States efforts to stabilize the European situation, and the Soviet reactions thereto. The most significant development, according to CIA-2, "has been the deterioration of the Communist (Soviet) political position in Western Europe. This process, which apparently began with the announcement of the 'Truman Doctrine,'<sup>1</sup> has been accelerated by Soviet countermeasures, particularly by the establishment<sup>2</sup> of the Cominform."<sup>3</sup>

Cominform  
announced  
October 5

According to this analysis, United States moves in Europe beginning with the announcement of the "Truman Doctrine" had forced a decision upon the Soviet Union. The decision taken had been to employ direct counteraction as shown by the establishment of the Cominform and the rejection of the Marshall Plan offer. In making this decision, according to the analysis in the Review, the Kremlin had consciously accepted a loss with respect to the "legal" position of Western European Communist parties, as had been exemplified in Communist losses in various recent elections. The Kremlin, however, considered the sacrifice justified in terms of keeping a firm hold on the countries it already controlled. The editors maintained that the Kremlin had "sacrificed whatever political prospects the (Western European)

USSR  
declined  
ERP aid  
October 22

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Communist parties had had"<sup>1</sup> and that the Communists had been forced to give up their techniques of opportunistic cooperation with non-<sup>2</sup> Communist elements.

Violent Soviet propaganda hinting that United States activities in Europe might soon lead to war was taken by the "Review" as part of the reaction, which was not intended to "produce that result, but only to intimidate those, in Europe and Asia, who could not escape involvement in such a catastrophe."<sup>3</sup>

CFM London  
convenes  
November 25

ORE 64  
"Current  
Situation  
in France"  
December 31,  
1947

The rest of the November analysis is of interest primarily with respect to Germany. The "Review" predicted that at the coming Council of Foreign Ministers in Moscow the USSR would advocate immediate establishment of a highly centralized German national government, the Soviet purpose being primarily, of course, to gain a voice in the administration of the Ruhr. The Soviet-proposed regime would be represented as the nucleus of a future national government rather than the beginning of a Soviet republic, in order that the USSR might "keep in character as the sole champion of German national unity and independence." The USSR is pictured as then imposing on this government a policy of: "wise nationalism (i.e., Russo-German collaboration in the Bismarckian tradition). Von Paulus, Seydlitz, and others of the 'Free German Committee' will probably be brought out to dignify and facilitate this new appeal to German nationalisms."<sup>4</sup>

In November there was also a brief estimate on the subject of Austria which seems to have been accurate and was repeated from time

10/13

1. CIA-2, Page 1, Paragraph 1
2. CIA-2, Page 1, Paragraph 2
3. CIA-2, Page 1, Paragraph 3
4. CIA-2, Pages 3-4, Paragraph 6

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to time by Central Intelligence in this and other estimates: namely that the USSR would not agree to any treaty for Austria which would not imply the means by which Austria could be reduced eventually to the status of a satellite. Otherwise the general anti-Communist situation in Austria was described as stable from the United States' point of view, the trouble being, however, that under the circumstances, there would probably be no way to end the Soviet occupation and the resultant Soviet economic plundering of Austria.

CIA-3,  
December 17

By December, the Review's analysis of the situation had changed only in degree. The principal development was the immediate Soviet reaction to Marshall Plan aid which had taken the form of Communist-directed "labor troubles" in France and Italy. This development, according to the "Review," was the logical consequence of the

ORE-56  
"Political  
Future of  
Spain"  
December 31

Communist reversion from popular front to militant tactics discussed in CIA-1. The aim of this campaign (which the "Review" assumed to be directed from Moscow) was to defeat the European Recovery Program by making it so expensive that the United States would reject it, thus causing the collapse of the moderate governments in Italy and France.

NAT suggested  
by Bevin  
January 23

The "Review" again points out that in employing these tactics the Russian strategists risked sacrificing what popularity the Western European Communist parties had left, but concludes that they must be willing to take the risk, even to the point of forcing local Communist parties underground.

In general, the "Review" seems to have thought that the French and Italian governments could withstand the Communist onslaughts so

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long as the United States continued firm in the maintenance of the aid program. In Italy, however, the situation was complicated by the approach of the vital national elections, an anxious analysis of which was carried on in the "Review" over this and the next three months.

Soviet attempts to defeat the European Recovery Program were also made the basis of an interpretation of current maneuvers in the Moscow Council of Foreign Ministers where no progress was being made because, according to this analysis, Molotov and his government were waiting for the outcome of developments in Europe and of debates in the United States Congress. The "Review" expected no important developments from the Council of Foreign Ministers but maintained that the USSR would seek to avoid a definitive break with the Western powers.

The January 1948 issue of the "Review" begins by asserting that the general world analysis contained in the summary of CIA-1 "has been reviewed and is now generally reaffirmed." CIA-4 does not say by whom<sup>1</sup> the analysis was reviewed. Evidently, the editors themselves, having examined their rather hastily contrived thesis (in CIA-1) at more leisure, had found no particular fault with it.

In Western Europe, according to the January analysis, the situation had improved for the United States (although the "Review" hastened to curtail any false optimism by remarking that "the immediate prospect is none the less grim").<sup>2</sup> It seemed to be true, however, that the Moscow-directed communist effort to disrupt the European Recovery Program through political strikes had become too obvious, and instead of

10/15

1. CIA-4, Page 1, Paragraph 1
2. CIA-4, Page 1, Paragraph 4

10/16

1. CIA-5, Page 2
2. See below for discussion of CIA estimates leading up to the Czech coup.

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succeeding in its immediate purpose had served chiefly to alienate labor support from local communist parties. In Eastern Europe, furthermore, the Satellite population seemed to have become less manageable as a result of disappointment over being denied inclusion in the American aid program. In France, the Schuman Government had been unexpectedly successful in controlling the situation and in making progress toward economic stabilization.

The political future of Italy was still in doubt. The "Review" noted an outside possibility that before spring the Italian Communists would resort to full-scale revolution rather than gamble on the outcome of elections. Considering Communist strength, particularly in North Italy, such an attempt might succeed if the rebels were to receive aid from Yugoslavia.

In February the "Review" observed that "developments in recent weeks suggested that the Western European Communist parties were reverting to electoral processes and the exploitation of genuine economic grievances." <sup>1</sup> This was taken as indicating a general shift in the Party Line, and the inference was drawn that not only the Italian but the Czechoslovakian Communists would concentrate their efforts on the spring elections rather than resort to revolutionary violence. The logic in this line of reasoning, though good, was, of course, upset in Czechoslovakia within two weeks. <sup>2</sup>

ONE-47  
"Current  
Situation  
in Italy,"  
February 16

The concentration of interest, however, was on Italy. The "Review" thought that the immediate Soviet objective in Western Europe must be Italy because, among other things, "Italy appears to hold the



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ORE-69  
"Consequences  
of Communist  
Control  
in the  
Absence of US  
Counteraction  
February 9

key to Communist prospects of disrupting the European Recovery Program." The "Review" thought that if the Italian elections were held at that moment (February), the Communists would probably lose. It warned, however, that "a further reduction in rations or the failure of the U.S. Congress to implement the recovery program prior to the expiration of the interim aid grant on 1 April might give the 'People's Bloc' a plurality in the new assembly."<sup>2</sup>

General  
Situation  
Spring of  
1948

During the spring of 1948, the "cold war" reached one of its more easily recognizable climaxes. Continued failure of the various quadripartite governing bodies in Germany to produce anything more than fruitless arguments, propaganda, and counterpropaganda gradually disclosed the underlying impasse to which the only answer was the partition of Germany. The Mediterranean flank might have been protected through the "Truman Doctrine" now a year old, but the center of the line--Germany and Western Europe in general--was still vulnerable to the same tactics that might and might not have been frustrated in Greece and Turkey.<sup>3</sup>

While the nature of overt Soviet moves at the time was political, the mere existence of an enormous Soviet military force on the frontiers of Western Europe could not be overlooked. United States military estimates held in general that the Soviet army could overrun all of Europe to the Pyrenees, and the Near East to Cairo within a very short time. Certain elements in the logic of the current situation, plus a variety of intelligence reports, suggested that the USSR might not be able to resist this opportunity while it was so manifestly ripe. Two

10/17

1. CIA-5, Page 6
2. CIA-5, Page 6
3. So stated because of the highly dubious state of Greece as currently described in the "Review"

10/18

1. Reassessment of Soviet Intentions for the Next 60 Days" (March 16), and "Possibility of Direct Soviet Military Action During 1948" (ORE 22-48) (April 2)

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Central Intelligence papers made a cautious negative estimate of these reports. This did not mean, however, that all minds in Washington were set at rest.<sup>1</sup>

In a sense, the momentous decisions that had brought forth the "Truman Doctrine," had frequently to be made all over again during the spring and summer of 1948, which saw the beginning of United States inspired European economic cooperation to counter the Soviet political threat and of military alliances to deal with the Soviet military threat. The Marshall Plan proposals had led, during the spring of 1948, to concrete developments in the form of international committees, culminating particularly in the Brussels Pact of March 18. Bevin had made tentative suggestions concerning a North Atlantic Treaty in January; agreement seemed probable if a United States military guarantee could be included. On March 26, decisions were reached concerning the internationalization of the Ruhr and the consolidation of the western zones of Germany. The Russians had registered a complaint over alleged Western plans for Germany on the ninth.

The Greek situation was still shaky, the German situation uncertain, and chances still good of a Communist government in Italy. The exceedingly touchy state of affairs in Palestine was fraught with numerous unpleasant possibilities affecting the European and world situations; and on the edges of European developments were such minor but potentially disruptive elements as Italo-Yugoslav rivalry over the Free Territory of Trieste, and the bothersome issue of the disposition of the Italian colonies in Africa. Meanwhile, no one who watched them

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could escape the significance of ominous developments throughout the Far East, while even in Latin American the Bogota riots of March 9th created a momentary embarrassment for the United States.

Czech coup  
February 25

It is not surprising that the "Czech Coup" and the "Berlin Blockade", occurring in the midst of such widespread tension should have created a state of alarm. From the coup, it could be inferred that if the Russians were willing to risk the use of force in Czechoslovakia, they might be expected to do the same in Italy or in any part of the world where a similar opportunity was offered.

ORE 47/1  
"Current  
Situation  
in Italy  
February 16

As to Berlin, if it were taken for granted that the ultimate Soviet purpose was to force allied withdrawal from the city (which seemed clearly to be the case), then it might become necessary for the allies either to withdraw or to meet the Soviet challenge with force. In the latter event, the outcome would depend on whether or not the Russians were bluffing. A bluff was a possibility, but it was hard to believe that such a situation could have been deliberately engineered by a power that was not prepared to go through with the possible consequences of creating it.

CIA 3-48,  
March 10

In the midst of this situation, the March issue of the "Review" begins with the mild statement that "both in Europe and in Asia the Communist cause has made marked progress during the past month." <sup>1</sup> The reason for this statement, however, was not primarily the recent Communist success in Czechoslovakia--overwhelming as it might seem at the moment--but certain ominous political developments in Italy.

OEEC begins  
March 28

10/19

1. CIA-3, p. 1, para. 1

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As to the coup, the March estimate holds that the near panic it had caused in some areas was out of all proportion to its significance. The Communization of Czechoslovakia was a foregone conclusion; the method of attaining it was incidental. More important was the effect of the coup in Western Europe where it had succeeded in arousing widespread fear that what had happened in Czechoslovakia might be repeated elsewhere. This fear had, on the one hand, strengthened Soviet propaganda about the inevitability of Communism, but on the other, had had the effect of convincing some wavering Europeans of the necessity of defensive action. In Scandinavia particularly, (with the exception of Finland where Soviet pressure was strong and the effect of the Czech coup was admirable for Soviet purposes) the Czech coup had to a large extent succeeded in overcoming the last objections to an anti-Communist alliance.

ORE 6-48  
"Consequences  
of Communist  
Accession to  
Power in  
Italy by  
Legal Means,"  
March 5

As to Italy the Communist pre-election campaign was going far too well. "The Communist dominated 'Popular Democratic Front' increased its following during the past month as a result of large expenditures of money, cleverly conceived electoral slogans, continuing economic distress, and a helpful attitude on the part of the USSR. The Communists have apparently had marked success in undermining De Gasperi's position by claiming that they too, if put in power, can obtain the U.S. aid which the vast majority of Italians regard as vital to their recovery.....The prospects that the Popular Democratic Front will win a plurality, and possibly an absolute majority, have been substantially improved as a result of this effective campaign."

Discussions  
on FTT and  
Italian  
Colonies  
Held

ORE 29-48  
"Possible  
Program of  
Future Soviet  
Moves in  
Germany"  
March 28

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Even counter-measures adopted in alarm by the Vatican were deemed  
insufficient by the "Review" <sup>1</sup> which doubted that "the Church alone can  
reverse the trend toward the Popular Democratic Front." <sup>2</sup>

Brussels Pact  
signed  
March 15

CIA 4-48  
April 8

The April estimate was written when what has sometimes been  
referred to as the "March war scare" <sup>3</sup> was at its height. In such a  
context, it is worth reading as an exercise in cool reasoning. This  
issue of the Review argues that: (a) the Russians had simply become  
disturbed over the scope of United States anti-Communist reactions  
beginning with the "Truman Doctrine" and going on through the tripar-  
tite decisions on Germany; (b) under the circumstances, it was not  
unnatural that the USSR should undertake some counter-measures of its  
own; (c) these apparently threatening moves (particularly those  
affecting Berlin) were actually not an outcome of the immediate situa-  
tion; more probably they had long been part of a time table that had  
been moved up as a result of the immediate situation; (d) the estimate  
still stood that the USSR would not start a war at this time, and what  
was happening in Germany was actually proof of this contention rather  
than the contrary; <sup>4</sup> (e) the USSR might reconsider this estimate if the  
United States were able to create enough military strength in Europe,  
but the prospects that any such development could take place during  
1948 were nil, and (f) although the ultimate Soviet purpose with res-  
pect to Berlin might be to force a Western withdrawal from the city,  
the immediate purpose was rather to demonstrate Soviet military supe-  
riority for the benefit of the Germans in particular and Western  
Europe in general.

"Berlin  
Blockade"  
quasi-  
official  
April 1  
  
ORE 22-48  
"Possibility  
of Direct  
Soviet Action  
in 1948,"  
April 2

10/21

1. These conclusions are obviously related to ORE 6-48 "Consequences of Communist Accession to Power in Italy by Legal Means" which had been published five days earlier.
2. CIA 3-48, Page 5, Paragraph 3
3. See Van Slyck's memorandum for the DCI, December 23, 1948
4. "Its most provocative conduct, that in Germany, is actually evidence that war is not intended. If early military aggression in Europe were planned, devious efforts to compel Western withdrawal from Berlin would be pointless. Such efforts presuppose a quasi-permanent partition of Germany at the existing boundary of the Soviet zone." (CIA 4-48, p. 2, para. 1)

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1. CIA 4-48, Pages 4-5, Paragraph 7



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On the subject of the Berlin situation in general the analysis is interesting, particularly in the light of various less balanced views prevalent at the time.

ORE 23-48  
"Current  
Situation  
in the FIT"  
April 16

"Recent Soviet conduct in Germany results from Soviet realization, at least since the London session of the CFM, that an extension of Soviet authority into Western Germany could not be accomplished through the mechanism of quadripartite control. Since then the USSR, while decrying the partition of Germany and maneuvering to put the onus for that situation on the Western Powers, has concentrated on the development of the Soviet Zone as a political entity for the time being and as a nucleus for the eventual unification of Germany from the East. Further development along this line would be facilitated by the expulsion of the Western Powers from Berlin. An obvious prerequisite to that end would be to do away with the quadripartite agencies in Berlin, on the ground that they had been rendered meaningless by the acts of the Western Powers themselves in the Western Zones. The practical means of securing Western withdrawal without resort to the direct use of force would as obviously be an intensification of restrictions and deprivations such as would actually render it impracticable for the Western Powers to maintain an isolated position in Berlin....Not intending an actual resort to force, the USSR, confronted by Western firmness in Berlin and further evidence of increasing determination on the part of the Western Powers, may well give way tactically pending a new estimate of the situation. Even without forcing the issue of Berlin, however, the USSR has gained a major propaganda victory by (a) blanketing news of the passage of the Foreign Aid Bill with a reminder of superior Soviet military capabilities in Europe, and (b) precipitating a war scare that is a confession of Western weakness unnerving to wavering elements in Europe, especially in Italy.

ORE 13-48  
"Current  
Situation  
in Austria"  
April 28

"Even though the present tension may subside, the USSR will probably resume its efforts to force a Western withdrawal from Berlin. While the maintenance of an isolated position there would be manifestly difficult and even dangerous, a Western withdrawal under Soviet compulsion would constitute a political defeat of the first magnitude. Maintenance of the position is of value for the same reasons that cause the USSR to seek to eliminate it: the psychological and practical effects of the presence of an island of Western security in the heart of the Soviet Zone, the implicit assurance of an eventual unification of Germany from the West. Its abandonment, constituting the final concession of eastern Germany to Communism and implying that unification could thereafter be accomplished only from the East, would have a profound effect throughout Germany. The direct surrender of the three principal Western Powers to Soviet coercion would have a profound effect throughout the world."<sup>1</sup>

-23-

Christian  
Democrats  
Win Italian  
Elections  
April 18

This issue of the "Review," speaking of Italy ten days before the election, announced that the political trend there had been "reversed<sup>1</sup> by effective Western support of the anti-Communist parties." There were ways in which the USSR could attempt to influence the outcome of the election, but the most effective appeal to the Italians was through the Communist representation that a vote for the "Popular Democratic Front" was a vote for peace. This Communist line was having its effect in Italy against the background of world tension, the implication being that the Communists were ready to resort to force to gain their ends and that Italy might again become a battleground. In spite of the propaganda, however, the Italian elections were considered to be no longer in serious doubt.

CIA 5-48  
May 12

The theme of the May issue was the results of the Italian elections. "Although," said the "Review," "it had been apparent that the political trend in Italy had been reversed (CIA 4-48), the extent of the Christian Democratic victory<sup>2</sup> exceeded all expectations.

The extent of the Christian Democratic victory was said to have surprised even the communists who had been prepared for a close vote which they were believed to be ready to exploit through force: "On election day the Italian Communist partisans 'went to the mountains' as though they meant business, but three days later they had<sup>3</sup> the word from Moscow and came quietly down again.

The "Review" showed an interest in the unexpectedly quiet reaction of USSR to the communist failure in Italy, and thought the Kremlin's purpose was to appear unperturbed in order not to seem to admit defeat.

10/23

1. CIA 4-48, p. 5, para. 9
2. CIA 5-48, p. 5, para. 1
3. CIA 5-48, p. 2, para. 1

10/24

1. CIA 5-48, Page 2
2. CIA 5-48, Page 2, Paragraph 4
3. CIA 5-48, P. 3, Para. 3

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The effect of the Italian election in the rest of Europe was found gratifying in that the workers had probably become disillusioned with the leadership of Moscow. "Even the Communists may be human enough to blame their failure on the Kremlin" said the "Review."... "Italian Communists, like those in France and Greece, may have come to resent the tendency of the planners in the Kremlin to reject their advice, project them into impossible situations, and then let them down."<sup>1</sup>

As to the people of Western Europe generally, the "Review" thought that the Italian election results brought relief and encouragement to everybody except "two picturesque political figures, Francisco Franco and Charles DeGaulle" who were "alike in that each requires for his justification an imminent Communist menace."<sup>2</sup>

The "Review" maintained that Communist leadership in the Western European labor movement had been permanently injured in consequence of the election results. Political strikes and similar potent Communist weapons would now have to be largely abandoned because their origin had been too clearly exposed and they were more than likely to defeat their own purpose. "Thus in Italy, as elsewhere in Western Europe, the Communists' power to call a paralyzing general strike, which was yesterday their most formidable weapon, has now been lost."<sup>3</sup> All in all, the note of cheer brought by the Italian election results was so stimulating that the May issue even concedes some hope with respect to Greece.

-25-

As to developments in mutual security agreements in Western Europe, the "Review" maintained that the signatories of the Brussels Pact were approaching the problem of Western European defense with extreme caution and with a tendency to regard it piecemeal. "These attitudes," according to the "Review," "are a natural consequence of the actual military weakness of the nations concerned and of their uncertainty regarding both the will and the ability of the United States to participate in their defense. The security of the West is manifestly indivisible, but it is equally apparent that only U.S. leadership and effective support can bring about the development of an integrated Western European defense system."<sup>1</sup>

The outlook in general during this month, the vital Italian election issue having been settled to the satisfaction of the West, could not have helped but be favorable, but the authors of the "Review" did not become complacent on that account. In Europe as elsewhere the underlying situation was still favorable to Soviet tactics.

"Despite the increasing prospects of European stabilization and U.S. rearmament, the USSR is still far from having to choose between a general settlement and preventive war. The strength of the Western European defense system is as yet unimpressive; the rearmament of the United States is still a disputed long-range project. The Kremlin as yet has no reason to conclude that in either case a dangerous development is inevitable."<sup>2</sup>

This, incidentally, was the first issue after the so called "Bogota incident". In the "Review," the Bogota riots were honored

10/25

1. CIA 5-48, Page 3, Paragraph 2

2. CIA 5-48, Page 4, Paragraph 4

10/26

1. CIA 5-48, p. 9, para. 20

-26-

with twelve lines which said that these riots were not Communist inspired, but were a result of unstable conditions in Colombia, latterly taken advantage of by the Communists.<sup>1</sup>

CIA 6-48  
June 14

During the following month the authors of the "Review" had had an opportunity to analyze in their minds the situation as a whole and to attempt to draw some general conclusions from it. These conclusions amount to the same that in various forms runs through the monthly series during this period: namely that the time was approaching when American-led Western defense measures plus adverse psychological reactions promised to make further Soviet overt acts of aggression in Europe self-defeating. If so, the "Review" reasoned that the USSR must either resort to war against the capitalist powers (the ultimate logical extension of the aggressive policy) or resort to the diplomatic tactic of temporary detente. Assuming that it was contrary to Soviet interests to become involved in immediate war, then the only reasonable approach would be through the third method. This method would have the further particular value for the USSR of impeding the progress of Western consolidation in Europe which had been stimulated rather than frustrated by the tactic of violence and aggression.

ORE 38-48  
"Soviet Res-  
trictions on  
the US  
Position  
in Berlin

The June issue claimed to perceive evidence in the nature of current Soviet "peace" propaganda that this policy line was already in force. "Although this propaganda has been effective, there is increasing reason to believe that, beneath these evident purposes, there is also a genuine Soviet desire to ease the tension between the USSR

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ORE 41-48  
"Effect of  
Soviet  
restrictions  
on the US  
Position  
in Berlin"

and the West, if only for tactical purposes. By its manner of approach the USSR maintains strategic flexibility. If the United States is responsive to its invitations to negotiate, a new situation will have been created more susceptible to Soviet exploitation than that which presently exists. If the United States refuses to negotiate, the hand of current Soviet propaganda will at least have been strengthened.<sup>1</sup>

On this point, the "Review" concludes:

"Thus without abandoning its ultimate objectives and at no more cost than to write off postwar prospects already lost, the USSR would be enabled to strengthen itself for the exploitation of future opportunities confidently expected to arise. Such a strategy would be in complete accord with classical Communist doctrine."<sup>2</sup>

CIA 7-48  
July 14

The quarrel between Yugoslavia and the USSR became public on the 29th of June and naturally overshadowed other news for the month of July. Even so, the "Review" of this month made the first order of business a discussion of Soviet purposes in Germany. The Berlin Blockade, which had been evident before April and had been more or less accepted as a fact in April, had become so complete by July as to loom very large in all calculations concerned with international affairs. The "Review," however, continued to believe that actually this Blockade was in the nature of an international side-show. Though many considered that the Russian purpose was simply to cause a Western evacuation of Berlin--thus leaving the United States to choose between humiliation and war--the "Review" considered such a theory oversimplified.



10/27

1. CIA 6-48, Page 2, Paragraph 1
2. CIA 6-48, Page 2, Paragraph 1

10/28

1. CIA 7-48, Page 1, Paragraph 1
2. Being held in Prague to establish future control of the river
3. CIA 8-48, Page 1, Paragraph 1

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"The Soviet Blockade of Berlin," it said, "is consistent with the desire to negotiate indicated in CIA 6-48." (i.e. the theory of a Soviet detente previously referred to) "The blockade of Berlin is designed, in the first instance, to compel the Western Powers to reopen quadripartite negotiations with respect to Germany as a whole and to render them acquiescent to Soviet terms. At no more cost than the relaxation of this pressure for the time being and perhaps minor concessions on such matters as reparations the USSR would hope to gain an effective voice in the control of Western Germany and especially of the Ruhr.

Soviets halt  
all Berlin  
traffic 27th;  
Clay called  
home for  
consultation

"If the Western Powers refuse to negotiate, however, or to accept in negotiation the USSR's terms, the current blockade of Berlin will have so weakened the Western position there as to hasten the day when the USSR would expect it to become untenable."<sup>1</sup>

In Italy the time was considered appropriate to assess post-election developments, which were found not to be very encouraging. The Italian communists had abandoned their previous aggressive tactics and had turned to the more legitimate, as well as more profitable, policy of exploiting genuine labor grievances in an effort to disrupt the Economic Cooperation Administration. Unfortunately, the newly elected De Gasperi government was playing into Communist hands in this regard by failing to undertake reforms that it had promised before the elections.

CIA 8-48  
August 19

The August issue distinguishes four problems which it describes as "coming to a head": "the Berlin Crisis, the Danubian Conference,

ORE 37-48  
"Reactions of  
West German  
Political  
Parties to the  
Decisions  
of the London  
Conference"  
August 5

the Palestine Truce, and the contrast between the economic stability of Eastern and Western Europe occasioned by the interposition of the Marshall Plan."<sup>3</sup>

With the September issue began a new method of general treatment under which, instead of summarizing the world situation in general,

CIA 9-48  
September 16

analyzing the situation in Europe as first priority, and then taking

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ORE 22-48  
(Addendum)  
"Possibility  
of Direct  
Soviet  
Action  
during 1948"  
September 16

up particular situations in detail, the editors began to pick what they considered the most important area from the point of view of the preceding month, focus full attention on it, and then discuss incidentally any other world developments that called for comment. As a result, most of the issues after August 1948 and through most of 1949 consist of analytical essays to which are annexed other discussions.

Thus in September, the editors of the Review decided that no new development worthy of special note had occurred in Europe, and devoted most of the space to the problems of the "Asiatic periphery." The analysis strongly reflected the doctrines of ORE 25-48, on the implications of declining Far Eastern colonialism, which had been published  
1  
on the third.

CIA 10-48  
October 20

The October edition turns back to Europe and undertakes a discussion of the problems then surrounding the Berlin issue. During the fall, the United States had brought the matter of Berlin before the United Nations to attempt an international solution. It was still the standpoint of the "Review," however, that the blockade of Berlin, no matter how sensational it might seem for the moment, was in fact no more than a diversionary move and should have been treated as such.

ORE 58-48  
"Strategic  
Value of  
Soviet Conquest  
of Europe  
and the Near  
East to  
Cairo"  
August 4,  
1948

In its UN maneuver, the United States had not only enlarged the issue, but had done so in such a way as to make it difficult for the Western allies to give the United States complete backing. "If," said the Review, "the U. S. objective is to secure a firm moral judgment from the UN in order to develop a more solid front against the USSR, it is by no means certain that the U.S. will, in this instance, be

10/29

1. "The Breakup of Colonial Empires and its Significance for U.S. Security"

8

10/30

1. CIA 10-48, p. 2, para. 1
2. CIA 10-48, p. 4

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able to pull together the moral force of the small powers. Not only are these powers aware that, as long as the differences between the major powers are presented as irreconcilable, they do not have the material force to make an adverse collective judgment.<sup>1</sup> but it is clearly a Soviet objective to keep even their moral force from becoming concentrated.

The "Review" seems by implication to criticize the United States for adopting a "rigid and legalistic" position before the UN in attempting to get a moral condemnation of Soviet "faithlessness and double dealing," which "appears to force final choices not only upon world opinion, but on the representatives to the General Assembly." The "Review" says, in effect, that even though the United States should obtain a favorable vote for this stand in the General Assembly, it could not expect the apparent show of confidence to be any more than on paper so long as the small nations doing the voting knew that they would be in no position to back their moral judgment, under the extreme circumstances tending to be created.

Meanwhile, the "Review" maintained nothing had been solved with respect to Berlin. Although the air lift made it possible to postpone final decisions, those decisions must still always remain in the background. "A dilemma has consequently developed and the U.S. is now committed in Berlin to maintain a strategic outpost on political grounds when, in the final analysis, that outpost can be maintained<sup>2</sup> only by force or with Soviet tolerance. Thus, in the last analysis, the United States was taking a position which it could not back up,

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except by resort to war, and in doing so was committing its Western European allies to much the same position at a time when a final (military) decision would leave them in a helpless position. In order to change this outlook (even given sufficient time) it would be necessary either to force more rapid rearmament on the Western European nations than they could stand, or to shift the burden to the American tax payer. In short, the United States, in bringing the Berlin issue before the United Nations, particularly in the form in which it had been brought, was only weakening its own position in Western Europe and in the United Nations, without making any progress toward a solution of the problem.

CIA 11-48  
November 17

CIA 11-48 is almost entirely taken up with a discussion of the situation in China. The December issue appropriately attempts a sort of review of world events covering the year just passed, with summary estimates regarding the situation as it then stood. This discussion is largely in terms of power vacuums, the principal one in Europe being that in Germany. In Germany (as the "Review" had held previously) the Russians were trying to hold what they had while also maintaining a position of strength aimed at eventual control of all of Germany. The blockade of Berlin had been and still was designed primarily to create a bargaining point aimed at the latter objective.

ORE 39-48  
"France's  
German  
Policy"  
December 29

Failing in this objective, the Soviets were prepared to accept the partition of Germany. CIA 12-48 concluded that this point had now been reached and offered evidence that the USSR had begun to concentrate on building up a strong, Soviet-controlled East German

CIA 12-48  
December 16

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government. The "Review" took occasion to note the advantage retained by the USSR in dealing unhampered with East Germany, while in the West the United States had to persuade its reluctant allies, particularly France.

CIA 1-49

January 19

1949

CIA 2-49

February 16

CIA 3-49

March 16

North  
Atlantic  
Treaty in  
Force,  
November 25

Council of  
Western  
Europe  
Formed by  
Western  
Union

January 29

ORE 51-48

"Possibility

Soviet Troop

Withdrawal

from Germany"

January 31

The first two issues of 1949 found little to say about Western Europe except in relation to Far Eastern European colonies. The third issue concentrates on the development of the North Atlantic Pact. Concern was being expressed at the time over this development, which some alarmists tended to view as calculated to goad the Russians into an immediate war. CIA 3-49 considered this improbable. The Russians might indulge in a variety of gestures intended to impede progress toward a North Atlantic Community, including all available propaganda pressure or even judiciously contrived troop movements, but the Russians would by no means look upon North Atlantic Community negotiations as a casus belli. They could hardly have expected anything less considering the course of history in Europe since 1945.

Western European adherents to the pact would also view the development as inevitable. They would realize that they were taking a very serious calculated risk in aligning themselves irrevocably with the United States, but that the only alternative was surrender to Communism and the USSR.

ORE 63-48  
"Opposition  
to ECA in  
Participating  
Countries"  
February 14

Otherwise, the main difficulties for the European nations lay in adjusting "traditional security concepts" to the changed situation, and in attempting to reconcile their individual differences. "...These differences cannot be wholly reconciled. But since it is clear that

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ONE 28-49  
"Possible  
Developments  
in Soviet  
Policy  
toward  
Austria"  
February 14

without access to the productive capacity of the U.S., no Western European state can now develop a valid security policy at all, there are compelling reasons why their governments should hunt for the best possible compromise.<sup>1</sup> Thus there would not be great difficulty in the initial stage of forming the Pact,"...but this estimate is valid only during the period of initial impact. The longer term raises other problems and does not permit so generally favorable a judgment. The Atlantic Pact ".....states an intention of resisting Soviet-Communist aggression (but) does not immediately provide the means of resistance. This problem cannot be quickly solved. Pending solution, the world power situation will remain in its present uncertain balance...."<sup>2</sup>

The only way to a solution would be through the actual rearming of Western Europe, which would bring its own problems. "Strains will develop at all possible points in connection with the practical implementing stage, and a sense of insecurity will probably begin to reappear as a distorting factor. This in turn will provide a target area for Soviet propaganda."<sup>3</sup> In the course of this development, a (Soviet-inspired) war scare might be expected which, among other things, might have the effect of driving other countries, not yet contemplated as North Atlantic Treaty members, to wish to join the alliance as their only practical means of protection. Italy, Portugal, and Spain were discussed in this connection.

CIA 4-49  
April 20

April 1949 struck the editors of the "Review" as an appropriate time for a general recapitulation and "stocktaking." The principal



10/33

1. CIA 3-49, p. 9
2. CIA 3-49, p. 4-5
3. CIA 3-49, p. 6

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NAT. signed  
in Washington  
April 22

occasion lay in the culmination of three years of effort on the part of the United States to erect an effective barrier to Soviet expansion in Europe. The Atlantic Pact had succeeded at least to the extent that it had strengthened the psychological resistance of Western Europe to the advance of Communism and had made it difficult for the Russians to improve their position any further there. Hence the situation in Europe was taken as definitely improved from a United States point of view. The "Review" warned, nevertheless, that this improvement was actually only on the surface because the United States was still in no position in Europe to deploy force which could come close to equaling that available to Soviet Russia. In the last analysis, the "Review" pointed out, the world security balance still probably depended on (what was then believed to be) the United States monopoly of atomic weapons.

ORE 2-49  
"Major  
Problems of  
Italian  
Government  
Policy"  
April 6

Meanwhile, the sensitive spot continued to be Germany, which was still an area of "concentrated power competition" largely because the ultimate logic of partition had not yet been fully accepted. The "continuity of U.S. interest in Europe" had been clearly demonstrated, however; the European nations were now debating how far they could go in relying on the continuation of this interest.

Powers Reach  
Agreement on  
Western  
Germany;  
Hints of  
Lifting  
Berlin  
Blockade  
Heard

The concluding paragraph of CIA 4-49 reads, "Finally, the question comes up of whether or not the USSR, restricted in Europe, will modify its policy towards Western Europe, seek simply to consolidate the advantageous positions it has gained up to this point (i.e. in Eastern Europe) or concentrate on the long-term objective of developing the

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significant opportunities that have been opened in Asia. Such concentration would not be incompatible with continued pressure in Europe and the Near and Middle East. It would also be compatible with the logic<sup>1</sup> of power relations as analyzed by Marxist doctrine.

ORE 46-49  
"Possibility  
 of Direct  
 Soviet  
 Military  
 Action During  
 1949" May 3

Thus, after the first quarter of 1949, the editors of the "Review" apparently believed that the USSR would, for the time being at least, make no more openly aggressive moves in Europe on the order of those it had tried successively since the end of the war. Instead, CIA 4-49 tended to the conclusion (after an analysis of the situation in the Far East) that the USSR would concentrate on improving the already favorable situation in the Far East.

CIA 5-49  
May 17

When the May issue was printed, the blockade of Berlin had been lifted. In order to furnish an explanation, the editors reviewed developments in Germany, showing again that the Berlin maneuver had been essentially an attempt to force a return to the status quo in which the USSR had had a voice in the administration of the Western zones. When the maneuver failed of its purpose and finally passed the point of diminishing returns, the USSR offered to lift the blockade, coupling the offer with a proposal for a Council of Foreign Ministers, so timed, according to the "Review," that the discussion could be held before the United States had become irrevocably committed to Partition.

CFM Resulting  
from end of  
 Blockade  
 Begins  
 May 25

The important question, then, was what Soviet goals and tactics could be expected at the Council of Foreign Ministers. The "Review" did not claim to know. It set up a hypothesis, however, that the

10/35

1. CIA 4-49, p. 10

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ORE 48-49  
"Soviet  
Position  
in the  
Approaching  
CFM"  
May 18

Soviets could either (a) enter into negotiations with no intention of settling anything but merely to obstruct the consolidation of Western Europe; or (b) go into the Council of Foreign Ministers with the intention of reaching agreements based on partition. In either case, of course, basic Soviet objectives with respect to Germany or Europe would remain unchanged. The first possibility would represent nothing much more than a continuation of past tactics and with little more chance of success. The second, while apparently removing some of the causes for urgency from Western defense plans, would by no means rule out Communist opportunities for making further progress in Europe. Over the long term, the Russians could depend on their own growing strength, the "inherent contradictions" in the capitalist economy, and the favorable shift of the balance of power in the Far East.

ORE 51-49  
"Soviet  
Control  
Mechanism  
in Germany"  
May 26

Without venturing a guess as to Soviet tactics, the "Review" certainly did not rule out the possibility of Soviet negotiations in relatively good faith. In this connection the "Review" observed that strategy as planned for the Council of Foreign Ministers was well designed to deal with Soviet negotiations conducted for propaganda purposes only, but would be weak if the Russians turned out to be in earnest.

CIA 6-49  
June 15

The Council of Foreign Ministers was in mid-session when the June issue came out, and the most the "Review" could say was that the Russian negotiators had been making very little sense--even with an eye to propaganda. All they seemed to have in mind was a possible return to a type of status quo which interested no one, including the Germans. In order to explain this mystery the editors hazarded a

guess that the estimates provided the Russian negotiators at the start of the conference had proved to be faulty soon after the meeting began so that the participants practically had to improvise and mark time pending further clarification.

ORE 58-49  
"Political  
and Economic  
Changes in  
Western  
Europe Since  
the Last  
CFM June 1

By July, the Council of Foreign Ministers had ended in a blaze of nothing in particular, leaving (according to the "Review") room for little conclusion except that there was no longer any basis for a compromise agreement on Germany. As to the reason for Soviet tactics, the "Review" suggested that a combination of (a) unexpected Communist election losses in East Germany; (b) the contrasting willingness of the West Germans to fall in with Western plans, and (c) political and economic troubles that were believed to have been developing in the Satellites had caused a quick change of heart. The Kremlin in other words, did not feel confident enough with respect to its own position to risk the loss of East Germany in a gamble for the larger prize. The estimate concludes by saying, "the outcome of the meeting likewise lends further confirmation to the estimate that the USSR is not in a position to, and has no immediate intention of, deliberately resorting<sup>1</sup> to military action to gain its objectives in Western Europe."

CFM adjourns  
June 21

To all intents and purposes, the Council of Foreign Ministers had left the German and European problems exactly where they had been with perhaps an added bit of confusion and uncertainty. In this situation, CIA 7-49 was prompted to say that the Soviets enjoyed a stronger position to further their ends in Germany than did the Western powers because the Russians, who had not yet fully committed themselves to

CIA 7-49  
July 20

10/37

1. This statement was, of course, legitimate, in that it was in accord with the recently published ORE 22-48 and 22-48 (Addendum) in which the IAC agreed on immediate Soviet intentions, but it was still a fairly strong statement to make in an uncoordinated paper. (See No. )

10/38

1. CIA 6-49, p. 5

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Partition, were still in a better position, if they chose, to offer the Germans a truly unified state.

The major part of the June issue was taken up with a discussion of the status of the Anglo-American alliance whose ultimate importance to the United States was strongly argued. The "Review" concludes:

"The essential conclusion that can be drawn from this analysis is that, insofar as U.S. security is linked with a UK ability to maintain tacitly agreed positions and to develop generally accepted policies, a significant uncertainty is created by the fact that this ability seems to depend almost entirely upon the maintenance of an unprecedented volume of exports in an increasingly unfavorable world market. The general type of problem likely to arise from this uncertainty will be one of how to transfer more and more of the costs of maintaining a combined security position from the UK to the US."<sup>1</sup>

CIA 8-49  
August 17

In August, nothing of note was discovered in the European scene.

CIA 9-49  
September 14

In September, the "Review," reiterating a statement made in July that after the Paris CEM, the principal concern of statesmen in the cold war would be with internal developments within their respective spheres of influence, concentrated on a discussion of Soviet Satellite relationships.

CIA 10-49  
October 19

By October, the previously assumed balance of power had been

Bonn  
Government  
Inaugurated  
August 24

upset by the announcement of the first Soviet atomic explosion. The "Review's" reaction was brief and by no means alarmist. The atomic race now would be centered in stockpiling rather than Soviet develop-

ORE 74-49  
"Governmental  
Programs on  
National  
Security and  
International  
Affairs  
F.Y. 1951"  
September 22

ment of a bomb. The new danger point would be reached if the Soviet stockpile equalled that of the United States or became large enough to permit inflicting a crippling blow on the United States.

USSR Pro-  
tests W.  
German Gov-  
ernment under  
Pleck  
October 12

The political and psychological repercussions of the new development were obvious. The "Review" concluded that "it is certain that the USSR has an enhanced 'cold war' capability." In terms of space at least,



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ORE 34-49  
"Current  
Situation  
in Iceland"  
October 20

a much more important October event than the Soviet bomb explosion was the devaluation of the British pound.

CIA 11-49  
November 16

The last two issues of 1949 are taken up for the most part with an analysis of "regionalism" as it was developing in various parts of the world, and particularly in Europe under the auspices of the United States.

ORE 85-49  
"Current  
Situation  
in France"  
November 14

According to this analysis, regionalism, developed apart from the United Nations, was not incompatible with the United Nations and was a favorable development for United States security. Despite its weaknesses as an instrument for preserving world peace under post war conditions, the United Nations had become a "going concern" which had served many good and indispensable purposes with respect to such disputes as those in Palestine and Indonesia. The mere fact that the USSR had not withdrawn from the United Nations was taken by the Review as testimony to the organization's strength.

CIA 12-49  
December 21

ORE 93-49  
"Possibility  
of Britain's  
Abandonment  
of Overseas  
Military  
Commitments"  
December 23

On the other hand, something clearly had to be done (since the United Nations as such could not do it) to set up a counterforce to the imperialist ambitions of the Soviet Union. "Regionalism has proved about the only feasible way, short of naked imperialism, that the sovereign states of the Western world can modify and partially harmonize their conflicting national interests..."<sup>1</sup> The conflict which hampered regional pacts was a consequence of nationalism; yet nationalism was one of the strongest anti-Soviet forces. The problem in countering Soviet imperialism, therefore, was to transform nationalism into regionalism.

10/39

1. CIA 12-49, p. 4

10/40

1. CIA 12-49, p. 8, para. 2f
2. CIA 1, p. 3

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In terms of regionalism, the December 1949 issue also contains a discussion of East-West trade (probably one of the first serious intelligence analyses of that later much-discussed issue). "The strongest card in the Soviet hand in Western Europe," said the "Review," "is a limited but significant trade link between Germany and the Satellite states of Eastern Europe....There is no simple solution to the threat of the economic attraction the Soviet sphere has for Germany. East-West trade is a commercial advantage to Western Europe as well as a threat, and it will probably continue to expand. It will become a critical danger only if the USSR had the power to disrupt Western European economies by cutting off the flow of commodities on which the Western nations have come to depend for stability."<sup>1</sup>

#### B. THE ANALYSIS RESPECTING EASTERN EUROPE

The first issue of the "Review" outlines as an important part of assumed Soviet Policy:

"To extend its own power and influence and to undermine those of the United States so far as is possible by political, economic, and psychological means, including action to:

Prevent or retard recovery and stabilization in non-Soviet areas....(and)....Exploit the weakness, instability, and confusion prevalent in neighboring countries to bring to power therein Communist or Communist-controlled governments."<sup>2</sup>

This was, of course, a statement not only of presumed future Soviet policy, but of that which the USSR had followed since 1945.

Cominform  
announced  
October 5,  
1947

When the "Review" began to be published, the Soviet "satellite" pattern was almost completely established. The only changes of importance still to come in Eastern Europe were the final adjustments in

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Hungary, the coup in Czechoslovakia, and the defection of Yugoslavia from the Soviet system. The editors of the "Review" were inclined to regard developments in Eastern Europe as more or less inevitable and as having had the effect of extending the boundaries of Russia up to approximately the Stettin-Trieste line, depending on how Germany was regarded in cold-war calculations.

CIA-2  
November 14,  
1947

Reviewing the Eastern European situation in November 1947 the "Review" states:

Communist  
coup in  
Rumania  
December 30,  
1947

"In Eastern Europe, the satellite governments are proceeding apace to destroy not only the opposition parties, but also those which have collaborated with Communists in the several national fronts. An evolution toward Communist totalitarianism in the Satellite States was to have been anticipated, but the pace appears to have been accelerated sharply in almost panicky consideration of the persistence of popular disaffection in Eastern Europe and the political trend in the West. This process has been substantially completed except in Hungary, where it is nearing completion, and in Czechoslovakia where the non-Communist parties are still capable of resistance. For various reasons, both political and economic, the Communists must proceed more slowly and adroitly in Czechoslovakia, but even there they can, with Soviet support, establish their complete domination of the country whenever, in the judgment of the Kremlin, overriding considerations require it."<sup>1</sup>

Czech Coup,  
February 12,  
1948

The issue of December 17 (CIA-3) continues this line of reasoning in saying, "In view of the strength of the non-communists in Czechoslovakia, as indicated by their recent victories over the Communists, the Kremlin is not yet willing to risk the political and economic consequences of ordering the Communists to use the ruthless tactics successfully employed in the other satellite countries."<sup>2</sup>

On January 12, Central Intelligence found no cause to mention Czechoslovakia except in connection with discounting rumors then current about a coming incorporation of the Balkan satellites into the

10/41

1. CIA-2, p. 4
2. CIA 3, p. 6

10/42

1. CIA 5, p. 2
2. See No. \_\_\_\_\_

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USSR. CIA-5, whose publication preceded the coup by fourteen days, discusses Czechoslovakia at some length, but the discussion was influenced by the "Review's" current feeling that Communist strategy in Europe generally had turned in the direction of non-violent political strategy. "Whether the USSR will permit the Communists to accept an unfavorable verdict or will insist upon a subsequent resort to violence (in Czechoslovakia) will probably depend upon what decision the Kremlin will have made at that time with respect to its basic policy toward the West." <sup>1</sup> This outlook was, of course, in accordance with <sup>2</sup> the CIA formal estimate on Czechoslovakia then being prepared.

Since the Czech communists had the means of capturing the government by force whenever they chose, the only question remaining was one of method. The intelligence then being received, however, indicated that the Communists were bending all their efforts toward an intensive electoral campaign. In the absence of contrary intelligence indicating that this activity might be only a blind for more forceful plans, it was reasonable to conclude that the Czech Communists would at least try the electoral method before going to extremes.

ORE 22-48  
"Possibility  
of Direct  
Soviet  
Action in  
1948"  
April 2

Italian  
Elections  
April 18

The "Review" in short did not warn the government of an impending coup in Czechoslovakia. In the opinion of the editors, however, the monthly did not err badly in this respect. In the March issue they stated simply that when the non-communist parties in Czechoslovakia had become stubborn regarding Communist control of the police--which the Communists deemed essential--the Communists decided to act before it was too late. The result had been to change neither Czechoslovak

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Communist intentions nor capabilities, and the coup represented little more than a choice of methods. The same results would have been achieved sooner or later in any case.

ORE 23-48  
"Current  
Situation  
in the Free  
Territory  
of Trieste"  
April 16

For this reason the editors considered that the wide-spread alarm over events in Czechoslovakia was out of proportion to the significance of the event. Possibly the most interesting point in the affair, from the Review's point of view, was the reasoning that must have been gone through in the Kremlin where the desirability of making a final settlement of accounts in Czechoslovakia had to be balanced against the undesirable consequences of overthrowing the government by force.

CIA 6-48  
June 17

From the accomplishment of the coup until June, the Satellite situation received scant attention in the "Review." In the June issue, however, there are three brief satellite notes on Czechoslovakia, Hungary, and Yugoslavia. The first simply notes that the Czechs managed to register a significant protest vote in the elections despite all Communist methods of coercion. All effective opposition in Hungary was said to be dead except that of the Church which had the courage to challenge the government on the subject of religious education. It would become necessary, said the "Review," for the Communists to suppress the Church. Of Yugoslavia, the "Review" said in part:

Cominform  
Denunciation  
of Tito  
June 29

"The Tito regime, rebuffed in its adventurous foreign policy with respect to Trieste, Austria, and Greece, is now beset with increasing domestic difficulties, chiefly economic but also political....Although this purge (of certain Yugoslav economic ministers) will insure Tito's political control, it will not improve the economic situation. Amid these domestic distractions, the foreign policy of Yugoslavia may become less adventurous than heretofore."

10/43

1. CIA 6-48, p. 6, para. 12

10/44

1. CIA 7-48, p. 1, para. 2



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This is the first direct reference to Yugoslavia in the first nine months of the "Review's" history. The mere fact that economic conditions in Yugoslavia were thought important enough in June to bear mention at all, may conceivably indicate that the forthcoming events were casting a shadow ahead in the form of intelligence that needed to be better interpreted. Otherwise, it may be said that the "Review" (and Central Intelligence) had no inkling of the approaching Soviet-Yugoslav split.

It was probably true, however, that Central Intelligence perceived the true significance of the Cominform's remarks on the subject of the Yugoslav government ahead of the general public and the press.

The "Review" had no hesitation in calling the incident "...the most significant development in international communism in twenty years." The Cominform denunciation, it continues, "brings into the open the latent conflict between international communist discipline and national sentiment which has been inherent in the situation since the expansion of communist control beyond the historical frontiers of Russia, and puts in question the ability of Russian controlled communism to retain power indefinitely beyond those frontiers." The event, according to the "Review," left the Kremlin in a dilemma: it could not allow Tito's independent stand; yet it knew that by using "excommunication and interdict" as the "only sanctions available to the Kremlin in this case" it was exposing Soviet imperialism, as directed through the Cominform, for what it was. Although, according to the "Review," there was nothing directly that the Kremlin could do

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about Tito, "yet each passing day of his impunity damages its prestige in Eastern Europe." The analysis concludes: "Tito, for his part, cannot immediately turn to the West without rendering his position vulnerable. He must demonstrate his loyalty to communism and protest his innocence of heresy. Inexorably, however, the logic of his position will force him into association with the West as a factor<sup>1</sup> in the balance of power, however Communistic his domestic policy."

Regarding the ultimate effect of Tito's defection upon the world communist movement, the "Review" is cautious. Titoism might, of course, spread and "could prove infectious in the non-Russian communist world and cause a schism comparable only to that between Trotsky and Stalin."<sup>2</sup> The "Review" does not predict any such development, however, and thinks rather that a series of Party purges will follow to root out any latent Titoism outside of Yugoslavia.

One sentence among the comments upon the effect of "Titoism" outside Yugoslavia is of particular interest: "The Chinese Communist Party is guilty of most counts in the indictment of Tito, but nothing is likely to be said about that."<sup>1</sup> This is, in essence, one aspect of the estimate concerning the probable development of "Titoism" in China that was expressed at greater length in subsequent formal Central Intelligence estimates of Sino-Soviet Relations.

CIA 10-48  
October 20

In October, the Review turned again to the situation in Eastern Europe in connection with the Berlin blockade. Despite recent rumors to the effect that Soviet control of Eastern Europe was being eroded by nationalist deviation, the internal situation of the Satellites was here described as "a rat hole to be watched, not an opportunity for

Danube  
River  
Conference  
ends August

10/45

1. CIA 7-48, p. 2
2. CIA 7-48, p. 3
3. CIA 7-48, p. 4

10/46

1. CIA 10-48, p. 7
2. CIA 1-49, p. 8

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decisive exploitation." The analysis concludes: "thus, although adverse factors can be noted, the general security of the USSR in Eastern Europe has not been undermined. Nor need Soviet aims in Germany be modified because of fundamental weaknesses in the rear areas."<sup>1</sup>

CIA 11-48  
November 17

CIA 11-48 further explains the situation in Eastern Europe from a Soviet point of view. The mere fact of the contrast between standards of living in United States supported Western Europe and Soviet-supported Eastern Europe would be enough to perpetuate dissatisfaction if nothing else existed, and undoubtedly there was enough popular unrest to force more and more police methods of control. Police methods, however, would be sufficient to assure obedience. What the Soviets would not dare to do under the circumstances was to use the countries concerned as a base of military operations. Thus the satellite situation would be one of those tending to confine the USSR to political tactics in the European struggle.

CIA 1-49  
January 19

The first issue of 1949 returned to the problem of Yugoslavia with the comment that "The position of Marshal Tito has become so paradoxical that an examination of it is useful in relation to the broad

USSR  
Announces  
Council  
for Economic  
Mutual  
Assistance  
January 26

US-USSR power conflict in Europe and the Mediterranean and in anticipation of the reopening of the question of an Austrian peace treaty."<sup>2</sup>

If Tito were to go too far toward relations with the West, he would lose much of his Communist following in Yugoslavia; yet the only solution for the impossible economic position in which the USSR had deliberately placed him lay in good relations with the West. The only

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ORE 16-49  
"The Yugoslav  
Dilemma"  
February 14

other way out of the dilemma would be through accommodation with the USSR which would be equally impossible because (among other things) it would deprive Tito of his nationalist following in Yugoslavia. The

ORE 50-49  
Significance  
of the CEPA  
March 15

"Review" concludes that "The most that can be said at this time is that Tito is coming steadily nearer to the point at which he must make fundamental choices. In this sense, the situation is becoming more fluid and hence more susceptible to U.S. influence and manipulation."

ORE 44-49  
"Estimate of  
Yugoslav  
Regime's  
Ability to  
Resist Soviet  
Pressure  
during 1949"  
June 20

There had already been signs, the "Review" asserts, that Tito was softening his anti-Western policy. Meanwhile, he had plenty of opportunities ahead to placate the United States still further. As to the question of what the United States could do about it (not a concern of intelligence but a type of question that the "Review" sometimes took occasion to answer): "A careful loosening of export controls might now serve a useful political end if it enabled Tito to keep his head above water month after month but did not commit the U.S. to saving him....But until inescapable economic necessity has forced Tito definitely to show his hand, the proper basis for a U.S. decision does not exist."<sup>1</sup>

CIA 4-49  
April 20

The general recapitulation to be found in the "Review" for April 1949 has little to say about Eastern Europe except that a further shift in favor of the United States in Western Europe would force the USSR to make increased efforts to "convert Eastern Europe into a defensive buffer region."--an idea which had been expressed before. In July, the subject came up again in connection with the abortive Paris Council of Foreign Ministers. The failure of the Soviets to negotiate

10/47

1. CIA 1-49, p. 9

10/48

1. CIA 7-49, p. 4

-48-

on that occasion was interpreted as indicating weaknesses in the basic Soviet position which were thought to derive in part from economic weaknesses in the USSR and in part from uncertain control over the Satellites.

CIA 7-49  
July 20

"The way has not been found," opined the "Review," "to reconcile international dictatorship with strong nationalist sentiments in satellite and fellow traveling states." Summing up, the "Review" comments, "These limitations on the exercise of Soviet control over the satellites and the persistence of an important element of national 'deviationism' among the local Communist leaders, almost certainly restricted Soviet freedom of action in the CFM. The USSR could not make a long-term play for a united Germany partly because its control over the satellites was not strong enough to risk the antagonisms that such a policy would arouse in Poland and Czechoslovakia. Before it can make this plan it must eliminate, if it can, all traces of 'deviationism' among the satellite communist leaders."

The discussion of Eastern Europe for 1949 is concluded in the issues of August and September. The split between Russia and Yugoslavia had obviously opened the way for better relations between Yugoslavia and Greece. "There is little doubt," said the "Review," "that Tito's policy with respect to Greece and the Greek guerrilla forces is in process of changing....The game is one of very complex maneuvers, delicate balancings, and double-talk....The stake is Tito's survival" (in the form of a Western guarantee of his regime which "is politically remote"). Already, Yugoslavia had greatly diminished help to the

-49-

Greek guerrillas whose morale and cause were suffering accordingly.

The "Review" thought, however, that "Full implementation by Yugoslavia<sup>1</sup> of a policy of rapprochement with Greece is....not in sight."

By September, the "Review" was ready to admit that the state of affairs in Greece (over which it had for so long been extremely pessimistic) had definitely improved. The principal reason, of course, was virtual withdrawal of Tito's help.

More important, for the moment, was the strong pressure being exercised by the USSR against Yugoslavia which had currently been intensified to such a point that some observers in Washington saw an impending invasion of Yugoslavia by the USSR, or if not, an indirect invasion by the use of Satellite armies. The "Review" not only did not think any invasion was in the offing: it offered quite different reasons for Soviet tactics which it said, however, "cannot be dismissed as a routine war of nerves."<sup>2</sup> It was true, the "Review" said, that the continued existence of Tito was not only intolerable but dangerous to the USSR; and that he had to be eliminated sooner or later if the Kremlin were ever to enjoy anything like international peace of mind. It did not follow, however, that the USSR would risk war at this time in order to overthrow him.

The pressure against Tito, meantime, served its own purposes. For one thing, any tendency toward a rapprochement between Yugoslavia and Greece immediately isolated Communist Albania and placed it in jeopardy. Maintenance of a threat from the East tended to protect Albania. For another, Soviet pressure lent encouragement to dissident



10/49

1. CIA 8-49, p. 4
2. CIA 9-49, p. 4, para. 6

10/50

1. CIA-1, p. 5

CIA-1, p. 5 Note that this amounts to a summary of current accepted estimates on Greece.

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elements within Yugoslavia. Since a direct military attack would run too great a risk of war, and since economic sanctions had already done no more than to drive Tito into the arms of the West, the best chance of eliminating the regime was through some form of internal coup. This, the "Review" tended to believe, was the principal aim of current Soviet strategy.

### C. THE ANALYSIS OF THE NEAR EAST

The "Near East" (also called "Middle East" and "Near and Middle East"), as understood in the Review, included Greece, along with India and Pakistan, but did not include Burma or Yugoslavia. Odd as this arrangement might seem in some ways, it made a certain amount of sense so far as the editors were concerned, because the Communist pressure on Greece was viewed as part of a Soviet flanking movement which had to be understood in the context of the Near East.

ORE 48, 49,  
50, 41, 52  
"Current  
situations  
in Iran,  
Palestine,  
Turkey,  
Greece,  
Egypt"  
September  
18, 1947

Adverse  
reports on  
war in  
Greece;  
UN to send  
observers,  
October,  
1947.

The first issue of the "Review" explains the "second priority" accorded the Near East among US security considerations as follows:

"As a region, the Near and Middle East is of second priority from the point of view of containing the USSR and eventually redressing the balance of power---but within the general area the situation in Greece is of great importance and the utmost urgency, while the situation with respect to Palestine is extremely dangerous. The region differs from both Western Europe and the Far East in that (except for India) its human and material resources are inadequate for the development of a significant power potential. Its great importance, second only to that of Western Europe, lies in its strategic location as a barrier to further Soviet expansion, as an essential link in Communications between the West and East, as a potential base from which power developed elsewhere could be brought to bear on the sources of Soviet power, and in the vital importance of the oil of the Persian Gulf states to the Western powers." 1

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Of the current situation in Greece, the "Review" commented: "... At any time, US armed intervention may be required to prevent its collapse and to restore the situation. The loss of Greece would not only impair the strategic position in the Eastern Mediterranean, but would also have profound psychological repercussions throughout Western Europe and the Near and Middle East."

ORE-55  
"Consequences  
of the  
Partition  
of  
Palestine,"  
November 28

The paragraph regarding Palestine argues the case generally held in the various formal CIA estimates on the subject, but does so rather more strongly than any of them.

UN accepts  
partition  
plan for  
Palestine  
November 29

"The situation with respect to Palestine is fraught with peculiar difficulties and dangers. Zionist leadership...has pursued its objectives without regard for the consequences.. The Arab reaction is bitter and potentially violent, endangering not only the Jews in Palestine, but also the strategic interests of the Western powers in the Near and Middle East....Their (the Arabs') principal means of retaliation against the US and the UK would be the cancellation of British and American oil concessions. Since the Arabs could not operate the oil properties themselves, and since, in these circumstances, they would be in desperate need of popular support, it is probable that they would eventually transfer these concessions to the Soviet Union. Soviet control of Arabian oil would be disastrous to Western interests. This course of events, of which there is a real and grave danger, would not only wreck the strategic position of the Western powers in the Near and Middle East, but would also have a fatal effect upon the economic recovery of Western Europe and would seriously impair the war potential of the Western Powers."<sup>1</sup>

Bernadotte  
sent to  
Palestine  
as UN  
mediator,  
May 20

Having thus summarized the strategic significance of the Near East, the "Review" was left without a great deal to say in succeeding issues. With respect to Greece, the tone of the "Review" was uniformly pessimistic up to the summer of 1948 when the supporting Satellite front was broken by the defection of Yugoslavia. Until then, the strength and backing of the guerrillas on the one hand, and the

Greek  
Communists  
announce  
"Markos"  
government,  
December

10/51

1. CIA-1, p. 5, par. 17

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Bernadotte  
assassinated  
September 17

confused Greek political situation through which US policy had to work on the other added up to a gloomy forecast generally noted briefly each month. Decisive events always seemed possible, but they never came to pass.

ORE 38-48  
"Possible  
Developments  
from the  
Palestine  
Truce"  
July 27

The same was true of Palestine. The British Mandate was withdrawn; the State of Israel was established and recognized; a Jewish-Arab war began as predicted; the Arabs threatened a Jihad; the Jews took advantage of their military superiority; the United Nations mediator went to Palestine and was assassinated; a truce was eventually arranged.

Arabs  
decide on  
Holy War  
over Partition

Nothing was settled; violence continued and varied only in degree. The Arab world was embittered, and the United States had become one object of that bitterness. The Arabs, however, were powerless in the face of Jewish strength and their own divided counsels.

Terrorism  
in  
Palestine;  
Marines  
sent to  
Mediterranean,  
January

Under the circumstances, the "Review" had little latitude for anything more than news reporting. The underlying coordinated estimate held good, however that little in the situation favored the United States. At the same time, the future for the USSR in the Near East looked bright, depending on how the Kremlin wished to exploit it.

ORE-69  
"Consequences  
of Communist  
Control of  
Greece in  
the Absence  
of US  
Counter-  
Action,"  
February 9

The brightest spot in the Near East, according to the Review, was Turkey which remained firm and represented the anchor of United States interests in the eastern Mediterranean. In Egypt, as in the Near East generally, the nationalist movement was strong and much depended on

ORE 7-48  
"Possible  
Developments  
in Palestine,"  
February 28

the success of established British influence and diplomacy. During the period in question the Anglo-Egyptian dispute over the Sudan remained just under the surface.

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ORE 47-48  
"Consequences  
of Certain  
Courses  
of Action  
with respect  
to Greece,"  
April 5

Saudi Arabia was safe in the friendly control of Ibn Saud; yet a pro-Jewish policy in the Near East risked even his friendship.

So long as Ahmed Qavam remained in power in Iran, the interests of the United States were well served. Qavam's policies were not only generally favorable to the policy of containment in the area, but he seemed able, on occasion, to out-manuever the Russians themselves.

US asks UN  
to reverse  
stand on  
Partition of  
Palestine,  
March 16

But Qavam, like his successors, however willing they might be to follow the policies of the United States as affecting Russia, resisted all pressure for internal social reforms. The result was social unrest in Iran favorable to Communist purposes. As in Greece and

CIA 9-48  
September 16  
Israel  
May 15

Palestine, however, nothing decisive happened. The "Review's" report usually left the impression that the situation was subject to radical change at any moment.

Cease Fire  
arranged  
Palestine,  
June 10

The principal interest in India during this period centers in the dispute between India and Pakistan over Kashmir, which always held the threat of war between the two new-born countries. The "Review" admitted the possibility but doubted the event.

"Grammos"  
Campaign  
in Greece,  
August

In September, 1948, in connection with a general review of the situation in the "periphery of Asia" the "Monthly" arrived at a sum-

CIA 11-48,  
November 17

mary of conditions in the Near East as an area where: "The US (is) at

ORE 28-48  
"Current  
Situation  
in Greece"  
November 17

a present disadvantage vis-a-vis the USSR. US policy is confronted with the problem of striking a balance between supporting local nationalist aspirations and maintaining the colonial economic interests of countries to whom aid has been pledged in Western Europe. Existing UK influence is of considerable value in solving this problem and, particularly in the Near East, cooperation to preserve stability is now well developed. But the USSR is wholly free to champion the ambitions of indigenous peoples, and can be certain that immediate Soviet interests are being advanced and that US and Western European interests are being impeded by the mere fact of social, economic, and political disorder."<sup>1</sup>

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The "Review" goes on to say that the most satisfactory solution would come if Colonial powers and their former dependencies could work out satisfactory solutions faster than the USSR could exploit indigenous dissatisfaction. Another way was for the United States to take steps to supplant the influence of former Colonial powers, a move which, however, was being met by Soviet propaganda against "US imperialism." "The US security problem created by this general situation is a long-term one. It is primarily concerned with the relative strategic positions of the two global powers, one of which is essentially a land-air power, and the other of which is essentially a sea-air power."

In this context, Turkey had become "the strong western anchor of the US position in the western periphery of Asia." In Iran, however:

ORE 65-49  
"Current  
Situation  
in Iran,"  
June 27

"Internal social conditions lend themselves to subversive exploitation by the USSR, and the Iranian government is habituated to a foreign policy that works by forcing interested outsiders to bid against each other. Although this bargaining habit is now held in check by the unmistakable threat of the USSR, it must be assumed that US influence will be exactly measured by the reality of US aid and by continual Iranian estimates of the depth and permanency of US interest."

The Arab states of the Near and Middle East present a very unsatisfactory picture. The tendency of the region to become a power vacuum, though visible ever since the breakup of the Turkish Empire, has been speeded up by the situation in Palestine which has created local power aspirations and at the same time revealed the absence of power resources that alone could force a final decision at the local level. At the moment, the Israeli military position is favorable enough to encourage intransigent expansionism. The Arab states, however, are capable of maintaining a prolonged guerrilla activity that can constitute a serious drain on Israeli economy. Determined action by the United Nations might force a final territorial settlement, but would leave Arab-Jewish tensions unresolved. Continuation of the present indecisive situation encourages all elements on both sides to seek external assistance. The situation is made further unstable by the internal weaknesses of the individual Arab states. With the exception of the states of the Arabian Peninsula, Arab governments are in constant danger of adopting extreme courses in order to maintain political control. US influence is at a low ebb and an improvement cannot be

10/53

1. CIA 9-48, p. 2-3

10/54

1. CIA 9-48, p. 3
2. CIA 9-48, p. 3



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ORE 68-49  
"Current  
Situation  
in Israel,"  
June 18

in the near future. The opportunities for Soviet exploitation are manifold, but there is little concrete evidence that a stepped-up campaign for this purpose has been initiated. Unless direct military action in Europe is contemplated, Soviet interests in the Near and Middle East are adequately forwarded by minor actions to encourage and prolong the present chaotic situation. This in itself lays a basis for the future by discrediting the purposes of the US and the UK." 1

The November estimate said that "In the Near East initiative lies almost wholly in Israeli hands and the Arab States are uncomfortably suspended between the over-stimulated opinions of their citizens and their suspicion of each other." 2 In December, there were new worries over Greece where the military campaign had bogged down and the new government was said to be worse than the old. "In relation to the stated intention of the US to remain in Greece and, more significantly, in relation to the Anglo-American strategic position in the Eastern

ORE 69-49  
"Relative US  
Security  
Position in  
European-  
Mediterranean  
Area and the  
Far East,"  
September 14

Mediterranean, two possible conclusions emerge: (1) the capacity and willingness of the Greek people to play the part assigned to them by US policy has been overestimated; or, (2) the requirements of enabling them to play this part have been underestimated." In Turkey, the Russians were employing the diplomacy of insult. In Iran, "leaders still find it safer and more profitable to continue to cooperate with the US than to seek to conciliate the USSR." 3

CIA 2-49,  
February 15

The February, 1949 issue contains a full-length estimate on the Near East with reference to each major country within the region. The situation remaining basically the same, however, this produced little that has not been said before. The summary is as follows:

"In the Middle East, the problems connected with US security interests are expanding, but the degree of regional stability called for to protect these interests is far from achieved. The most

10/55

1. CIA 9-48, pp. 3-4
2. CIA 11-48, p. 1, para. 3
3. CIA 12-48, p. 6

10/56

1. CIA 2-49, p. 1, paras. 1 & 2

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significant sources of instability are the situation in Greece, the superior power position of Israel, and political and social tensions in individual Arab States. The present anchor of the US position is Turkey; but the strength of this anchor is relative and not absolute. Its immediate value, however, enables Turkey to stake out a plausible claim for a more precise US commitment. UK security interests, now concentrated in the Arab States, interlock with US security interests at almost every point and their mutual support is becoming more essential to the effective maintenance of either.

With the air full of defense pacts, Greece and Turkey have become interested in their positions with respect to an Atlantic Pact. A pressure exists to bring the Eastern Mediterranean and the proposed Atlantic defense system together. For the moment this pressure has been checked, but the way is open for its renewal if and when Italy becomes part of an Atlantic Pact. 1

The development of Israel and the concurrent deterioration of the Arab States internally and as a group had the effect of upsetting any stability the region might have enjoyed. Israel, while emerging in 1949 as unquestionably the new military power in the area and the one potentially able to maintain its stability, was in no position to do so because of Arab hatred and the somewhat aggressive ambitions of the Israeli. The Arabs did not have the military establishment to check the Israeli, but the "Review" believed them capable of almost indefinite guerrilla operations.

Driven by their current weakness and the demands of their people, Arab governments seemingly could not help but be tempted to bargain with the USSR. Yet, during 1947-1950 the USSR---despite a flow of plausible rumors,---seemed to do little to exploit the opportunity; nor were there any moves on the part of the Arabs that could cause very much concern.

ORE 90-49  
"Current  
Situation  
in Iran,"  
November 9

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ORE 23-49  
"The Tudeh  
Party:  
Vehicle of  
Communism  
in Iran,"  
July 18

The strategic importance of Iran was clearly recognized, and the "Review" pointed again and again to the extremely delicate and tricky balance of US-Iranian relations. Since it could make no recommendations, however, the "Review" was content to note the varying intensity of Soviet pressure on the Iranians and to put the United States constantly on notice that no Persian government could ever be trusted.

The situation at the end of 1949 was at least partially summed up in an incidental paragraph in CIA 12-49:

"Soviet drives toward expansion of Soviet influence in the Near East have been contained at least temporarily on the northern Greek-Turkish-Iranian frontier line. The USSR is trying simultaneously to break down this defense line and to disrupt the unstable political and economic structures behind it. The development of an effective Near Eastern regional association to strengthen the defense-in-depth of this area in the foreseeable future is extremely unlikely. 1

#### D. THE ANALYSIS OF THE FAR EAST

ORE-45  
"Implementation  
of Soviet  
Objectives  
in China,"  
September 15,  
1947

As early as September, 1947, the "Review" saw little hope for Nationalist China, and most of the "Review's" analysis of the Far East is based on this estimate. Unless the Nationalists could somehow restore the situation, China would have to be considered virtually beyond United States control. It would not be possible to deal amicably with a Communist China, nor would it be practicable for the United States to attempt a solution through force. In the words of the "Review": "The proximity of Eastern Siberia to the present perimeter of Soviet and Chinese Communist control in Korea, Manchuria, and North China, the remoteness of the United States, and the weakness of the Chinese National Government, would render any US attempt at containment by directly opposing force to force a most unequal contest."

CIA-1,  
September 26,  
1947

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1. CIA 12-49, p. 8

2. CIA-1, p. 6, para. 18

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On the other hand, even supposing the worst in China, the results would be less serious than a similar outcome in the other major regions affecting United States security because "in comparison with Western Europe and the Middle East, the accessible Far East is too remote from the vital areas of the Soviet Union to permit the exertion of effective influence therefrom of Soviet policy." Meanwhile, CIA-1 considered, "Whatever the course of events in continental Asia, maintenance of effective US control of the Pacific would afford a sufficient safeguard."

CIA O-49,  
January 19,  
1949

The theories advanced in CIA O-49 (January 1949) are essentially a restatement of the views of CIA-1 in somewhat different terms. According to CIA O-49, projection of Soviet power beyond the mainland of Asia would imply the conversion of Soviet land power into sea power, not yet achieved; conversely, extension of US power into mainland Asia (China in particular) would imply committing US land power against that of the USSR on Soviet terms where the US would be at the greatest possible disadvantage. Therefore, as for the US primarily a sea and air power, the more defensible positions lay beyond the Asiatic mainland. It was for this reason that both CIA-1 and CIA O-49 put forward the strategy of the off-shore island chain centered in Japan. This strategy, in turn, would require containment of Communism in Southeast Asia.

Had it not been for the agreements made at the Cairo and Potsdam conferences, this strategy might have been valid without reference to Korea because the Korean peninsula could presumably have been written off as part of the Asiatic mainland, no more profitable as a battleground in Asia than any other part of it. As it was, however, Korea

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was forced into a special status. Thus CIA-1 stated that "The stalemate in Korea can be broken only by US acceptance of terms which would in effect surrender to the USSR as a satellite. United States efforts to make the best of the status quo must be conducted in the face of persistent Soviet subversive activity and propaganda pressure." Similarly, two years later, in April, 1949, the "Review" referred to Korea as a "continental toehold" which would be lost without continued American aid.

The "Review's" analysis of the Far East divides itself naturally into (a) China, where the progressive disintegration of the Nationalist position was constantly observed and its consequences assessed; (b) Japan as the essential point in what was believed to be United States strategy in consideration of the status of China; (c) Southeast Asia (including the Philippines and Burma) as essential to the same strategy, and (d) Korea as a special problem under the particular circumstances.<sup>1</sup>

#### 1. CHINA AND THE SOVIET FAR EAST

"There is no prospect of an early solution of the political and economic problems of China," said CIA-1. "...in the absence of large-scale US aid, the prospect for China is for either continuing conflict, with further political and economic disintegration and an expansion of the area of Communist territorial control, or the eventual formation of a coalition government through Soviet mediation and on Communist terms, with a gradual penetration of Communist influence throughout the national administration. In either case acute political and economic disorganization would prevail in China for many years, preventing an effective consolidation of Soviet control."<sup>2</sup>

10/59

1. CIA 4-49, p.
2. CIA-1, p. 7, para. 21

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1. CIA-2, p. 6, par. 13
2. This is to a certain extent consistent with ORE-45 (Implementation of Soviet Objectives in China, September 15, 1947; see No. , p. 21) which implies, at least, that as much as the USSR might wish to see a triumphant Communist Party in China, and might welcome a strong Communist government there, an even more desirable alternative might be indefinite confusion in China leading to the establishment of no government capable under any imaginable circumstances of becoming a threat to the integrity of Russia. Such a situation, coupled with Soviet dominance in Japan, might be considered the best possible guarantee for the security of the Soviet Far East.



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The first direct estimate on developments in China takes the form of a military analysis showing that the Nationalist armies were so deployed as to lose by attrition more than they had gained through their recent advance. "Continuing at the present rate, deterioration in the National Government's military, political, and economic position would probably lead within a year to decisive Communist military successes and to actual disintegration of the Government. The extension of limited amounts of US aid to China would be unlikely to reverse the trend but would slow it appreciably. The USSR is unlikely to assume a more active role in Chinese affairs unless US support of the National Government threatens to reverse the current trend."<sup>1</sup>

CIA-3, coming out in December, 1947 contains an estimate on the Soviet role with respect to China. The USSR was said to be not likely, under the circumstances, to abandon its "correct" attitude toward Nationalist China, nor was it likely to give open assistance to the Communists. The "Review's" analysis here seems to be based on the realization that the Chinese Communists, in 1947, were still dependent on non-Communist Chinese political support; and on the other that the Russians might easily be giving future control of Japan priority even over a Chinese Communist victory in China.<sup>2</sup>

CIA-4  
January 12,  
1948

Burma  
becomes  
independent,  
January 14

During the first months of 1948, the "Review" refrains from extensive analysis, but follows the progressive Nationalist military and economic decline. Kuomintang "elections" were held in the spring of 1948, with Chiang said to be favoring Hu-Shih as President and with

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Senate  
appropriates  
aid for  
China,  
March 31

Li Tsung-Jen persisting in opposition. When, in June, Chiang himself was "elected" as "indispensable," the choice of Li as vice-president moved the estimators to believe that the election might represent an actual victory for the anti-Chiang faction and might lead eventually to a Nationalist government that would be in position to do business with the Communists.<sup>1</sup>

Chinese  
Communists  
Capture  
Yenan,  
April 23

ORE 30-48  
"Limitations  
of South  
China as an  
Anti-Com-  
munist  
Base,"  
June 4

The "Review" followed the trend of events in China with increasing pessimism. In August, the statement was: "The position of the National Government has reached a point where a major military defeat, or a significant political defection might precipitate the final breakdown. A spirit of defeatism and a profound war weariness in Nationalist China is producing a drift towards a negotiated peace, though this spirit cannot become effective as long as Chiang Kai Shek retains a semblance of authoritative control"<sup>2</sup>

ORE 47-48  
"Consequences  
of US Troop  
Withdrawal  
from  
Tsingtao,"  
June 23

In November, the China problem loomed large enough to preempt most of the issue, which epitomizes, probably as well as any intelligence document of the time, the view of affairs in China being taken by Central Intelligence. The portion on China is worth quoting to

ORE 12-48  
"Prospects  
for a  
negotiated  
Peace in  
China,"  
August 8

show not only the accuracy with which Central Intelligence was able to forecast the trend of Chinese events, but to show why, during this period, the intelligence forecasters thought in terms of a coalition, rather than a purely Communist government for China.

10/61

1. Cf, CRE 27-48 (November 19, 1948) No. , p. 27
2. CIA 8-48, p. 6, para. 12

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ORE 45-48  
"Current  
Situation  
in China,"  
July 22

CIA 11-48,  
November 17

"The long-anticipated crisis in China has unmistakably arrived. Its main features conform approximately to the pattern that was anticipated---military defeats, economic collapse, political defections, and a general sense of the desirability of peace at any compromise. Of unusual significance, however, has been the superior military capability which the Communist armies were able to build up and the success with which they have kept the initiative they recently seized. The military and political developments of the past month suggest a degree of coordinated strategic direction that has not been generally assumed in appraising Communist strength.

"Aside from the question of whether or not this more highly organized authority and power can be effectively applied to the larger problem of pulling China together under a Communist or a Communist-dominated government, there seems to be little room left for doubting its ability to bring military operations north of the Yangtze River to a successful conclusion. The factor of time is clearly working for the Chinese Communists, and there is no sign that they do not fully appreciate the advantages this puts into their hands. It can be assumed that, within the limits set by logistics, maximum pressure on the Nationalist Government will be maintained and no breathing space will be allowed for the reorganization of an opposition.

"North of the Yangtze River, this pressure is essentially military. South of the Yangtze it consists of taking advantage of the general political and economic disintegration (a) by holding out political opportunities to wavering Nationalists and (b) by propaganda activities designed to fit a popular desire for peace and stability. In these circumstances, it is highly improbable that, even with increased aid from the US, the Chinese National Government can stabilize the situation sufficiently to give any hope that the present progressive breakdown can be reversed.

"It is, of course, likely that various efforts will be made to effect such a stabilization. Chiang Kai-shek might be replaced by a group of Nationalist leaders; but any such attempt to preserve a continuity of Kuomintang influence cannot lead to anything but a weaker government than the present one. Chiang might seek to preserve something by fleeing with his present government to some less easily accessible region than Nanking; but such a move would irrevocably close out any credit the Nationalist Government still has with the Chinese people. While either or both of these courses may be tried, the likely development will be a steady drift toward negotiation and a compromise settlement. As effective Nationalist resistance comes to an end, this drift will probably become a coherent movement and will be more and more widely accepted as offering the only reasonable alternative to the present confusion.

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"While the Chinese Communists cannot be expected to agree to a compromise that would keep them from collecting the benefits of their success, they will probably see good reason to negotiate with such non-Communist political leaders as may desert the hard-core of Nationalists who are wholly committed to an anti-Communist position. The bait of a "coalition" government is being dangled and there is no compelling reason why dissident ex-Nationalists, minor party leaders, non-Kuomintang officials, and aspiring regional politicians should not take it. The Chinese Communist Party has consistently presented itself in China as the only real seeker after the national interest. Its positive achievements in the exercise of authority have not perceptibly run counter to Chinese social tradition or to long-established peasant interests. Its links with the USSR have been successfully played down and obscured. This policy has been effective in that only a small proportion of Chinese are aware of the implications of a political coalition with the Communists and are accordingly prepared to support the hard-core Nationalists in resisting it.

"A Communist-dominated coalition, possibly proclaimed as a successor government to the Nationalist, must be considered as a very likely next step. Such a government might well be headed by a non-Communist and leave a number of its departments in non-Communist hands. It would claim international recognition on the ground that it represented a natural development of political authority and not a revolutionary rupture. This claim would be supported by the maintenance of correct external relations, by a policy---in considerable part sincere---of avoiding the alienation of US opinion, and by an obvious absence of general internal resistance to its authority. But, behind facade, it is reasonably certain that the key points of control at all levels of the government would be in Communist hands and that the basic and consistent aims of the Communist Party would be pursued.

"The significance of a Communist success in China to the security of the US need not be stressed. The general principle of preventing the consolidation of China by an ill-disposed political force is clearly understood. The possibility of opening Asia to effective Soviet influence, through the channel of a politically dominant Chinese Communist Party, is fully appreciated. The possible effect on the alignment of voting states in the UN Security Council of the appearance of a Chinese representative who is also Communist-instructed, should probably be noted for future examination.

"But, for the short-term, the peripheral consequences of a Communist success in China are perhaps more important than the situation in China itself. Within China, it is unlikely that any action taken by the US can reverse an unfavorable trend. But, on the periphery of China---in Korea, in Japan, and in Southeast Asia---possibilities still exist for attempting such a reversal. However, in these areas, each of which presents its own internal problems, an estimate must be made of the effect of events in China on these problems." 1

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1, CIA 11-48, pp. 1 & 2

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1, CIA 12-48, p. 1, par. 2

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The "recapitulation" of December, 1948 also emphasizes the Far East, centering on the strategy of the "Asiatic periphery" and the consequences that lay ahead in view of the fact that "no solution can be foreseen in China beyond a gradual accommodation with Communist power." In January, there began to be doubts about the feasibility of a coalition government for China. The estimate said that "no realistic means is presently available either in or out of China for preventing the early establishment of a "Communist-dominated" government for all China." "Communist-dominated" may have been a compromise term between "coalition" (eventually succumbing to Communist influence, of course) and "Communist."

US Marines  
Reinforced  
at Tsingtao,  
November

ORE 27-48  
"Possible  
Developments  
in China,"  
November 19

Meanwhile, intelligence reflecting Chiang's plans for a move to Taiwan had begun to appear. It had long been obvious that Chiang must go somewhere, but the choice of Taiwan aroused concern over the future status of the island which was, of course, essential to the "off-shore island" strategy contemplated in the "Review." The moment Chiang established himself on Taiwan, the island would become the target for a Communist attack. The "Review" doubted the ability of the Nationalists to hold Taiwan indefinitely when they were threatened both by external attack and the hostility of the natives. If the island fell to the Communists, the problems eventually involved for the US were easy to imagine but not pleasant to contemplate.

The "Review's" stock-taking of April 20, 1949 was unequivocal in its statement that "In the Far East generally, the relative power positions of the US and the USSR have definitely changed in the USSR's favor. If it can be concluded that, in Europe, Soviet action against

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US security has been severely restricted, it must be admitted that the Far East, in contrast, has become a wide open field for maneuver.

Chiang  
makes  
peace offer  
to CCP and  
resigns as  
President,  
January 29,  
1949

Soviet policy and Communist ideology have been translated into programs of action that have wide popular appeal. Proof of this can be found in the success with which a small handful of Chinese Communist leaders have converted doctrine into a definitive military victory over the National Government, and simultaneously into a defeat for the US in the 'cold war' in Asia.<sup>1</sup>

ORE 45-49  
"Probable  
Developments  
in China,"  
June 16

"The sands are running out on Nationalist China" said the "Review" in September. The problem of the Chinese Communists was no longer military but political and logistic. These considerations were somewhat slowing up the final processes of complete Communist triumph. As

ORE 49-49  
"Probable  
Developments  
on Taiwan,"  
March 15

to Taiwan, the Nationalists could undoubtedly hold out there for a certain length of time because of the difficulties presented the Communists by an amphibious operation, but eventually, other things<sup>2</sup> being equal, Taiwan would fall virtually by its own weight.

"People's  
Republic  
of China"  
announced  
July 2

On September 21, 1949, the "People's Republic of China" was proclaimed, thus making official a rather more than Communist-dominated government. This, according to the October "Review," gave rise to

ORE 78-49  
"Factors  
affecting  
the  
Status  
of  
Hong Kong"  
October 4

four principal problems for United States policy: (1) some of the nations of the North Atlantic Community, particularly the United Kingdom, would be tempted to give official recognition to this government; (2) "the weak governments of Southeast Asia" would be under increasing pressure to "regularize" their relations with Communist China and might be deterred only through a United States guarantee against



10/65

1. CIA 4-49, p. 6
2. CIA 9-49, p. 6

10/66

1. CIA-1, p. 7

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Chinese military aggression; (3) since the Peiping government would be unmistakably the only effective government of all China, there would be growing pressure to give the Peiping rather than the Taipeh regime representation on such bodies as the United Nations Security Council and the Far Eastern Commission, and (4) the United States would sooner or later have to clarify its relations with the Nationalist government particularly since the Communists would insist on control of Taiwan as part of China. The November issue went further on points 1 and 2 in predicting that the United Kingdom, and India would recognize the new Chinese Communist Government.

## 2. JAPAN

To explain the special position of Japan within the "third priority" Far East, CIA-1 said "Japan is important as the only area within the region capable of relatively early development as a power center. Under SCAP control, the political situation in Japan is stable, despite economic difficulties. The Japanese economy is dependent upon the availability of foodstuffs, and industrial raw materials from overseas. The removal of US control, particularly if the economic problem remains unsolved, would open the way to vigorous Soviet penetration. The rehabilitation of Japan under Soviet influence or control (with provision of essential imports from continental Asia) would jeopardize the US strategic position in the Pacific, as well as any US position in China. The rehabilitation of Japan under US influence or control (with provision of essential imports from Southeastern Asia), while it would tend to alienate China, would create a power tending to counterbalance the Soviet Far East and so to stabilize the regional situation." 1

ORE 44  
"Japanese  
Peace  
Treaty:  
Problems,  
Issues,  
Reactions,"  
December 4

The US Occupation being a temporary measure, the future of Japan relating to the USSR as well as the United States depended on the sort of peace treaty that might be negotiated. Thus far, the Russians had made it impossible to negotiate any treaty by insistence on a veto

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<sup>1</sup>  
power. The "Review" sought a reason for this particular tactic and concluded that: "The Kremlin is evidently content to continue the development of its own position in northern Asia as a counter to the US position in Japan, apparently trusting that prospective Communist successes in China and Korea will so undermine US prestige in Japan and throughout the Far East that a more favorable peace settlement can be obtained at a later date."<sup>2</sup>

The comprehensive April issue seemed to take it for granted that it would be necessary for the United States virtually to rehabilitate Japan in order to establish strength against its new enemy in the Far East. The principal discussion is of the extent to which Japanese officials would use the bargaining power that they could see accruing as a result of "their appreciation of a US need for Japan as a strong point in East Asia in view of the state of US-Soviet relations and of the deteriorating prospects in China and Korea."<sup>3</sup>

The extensive analysis of the Far East attempted in November, 1948 does not go far beyond the above with respect to Japan. The Communist triumph on the mainland would certainly be felt in Japan as elsewhere in the area, but under the essentially different conditions prevailing in Japan, the immediate effect would be more economic than political because "In so far as plans (for the reorganization of Japan's economy) assumed China as a source of raw materials and as a consumer's market, they may have to be considerably modified."<sup>4</sup> As a source of what Japan had to have---particularly if it were to be res-  
urrected in anything like its former strength---there would be no

CIA 4-48,  
April 8

ORE 43-48  
"Strategic  
Importance  
of Japan,"  
May 24

CIA 11-48,  
November 17

ORE 46-48  
"Communist  
Strength  
in Japan,"  
September 28

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1. See No. , p. 32
2. CIA-4, p. 6, para. 20
3. CIA 4-48, p. 8
4. CIA 11-48, p. 2

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1. CIA 4-49, p. 7
2. CIA 12-49, p. 9

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substitute for the United States itself. The result would be to place the Japanese in an admirable position to insist not only on extensive United States aid but upon various forms of military guarantees.

The "balance sheet" estimate of April, 1949 was concerned with the effects of the Chinese debacle upon the United States security position with respect to Japan. The chances of maintaining the United States position by means other than simple force were summed up

bluntly: "The present orientation of Japan towards the US is considered to be exaggerated and unreliable; though it does rest upon more than the fact of being occupied. It derives from a complete dependence upon the US economically and for security, and upon the expectation that the maintenance of the US position in the Far East will eventually require Japanese revival. Thus Japan continues to be a purchaseable asset; but if, in more critical circumstances, the US position appeared untenable, Japan would realistically consider seeking the best possible bargain with the USSR and its Communist supporters." 1

CIA 4-49,  
April 20

ORE 17-49  
"Strategic  
Importance  
of the Far  
East to the  
US and the  
USSR,"  
May 4

Japan comes finally into the series in the discussion of regionalism contained in CIA 12-49. In the Far East there had been little tendency toward regional association (which left the area open to exploitation by Communist internationalism) but the next ten years would probably witness attempts toward regionalization led by Communist China, India, or Japan. "Japan would welcome regionalization under US sponsorship as a security measure and as a way of regaining international stature." What would happen in the near future so far as these trends were concerned would depend, in the case of Japan, partly on "the timing and character of a Japanese peace treaty..."<sup>2</sup>

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### 3. SOUTHEAST ASIA

ORE 76-49  
"Survival  
Potential  
of Residual  
non-Com-  
munist Regimes  
in China,"  
October 19

Southeast Asia, so far as the "Review" was concerned, consisted of Siam, Burma, the Philippines, Malaya, Indochina, and the East Indies<sup>1</sup>. Because of the strategic concepts being followed in the "Review", the area became part of a common problem which also involved Japan, Korea, and such islands as the Ryukyus, Formosa, and Hainan.<sup>2</sup>

#### a. Thailand

CIA 12-49,  
December 21

Thailand is seldom mentioned in the "Review," chiefly because it managed to maintain its traditional independence, kept local Communism in control, and was generally disposed to cooperate with the United States and with the neighboring Western European colonial powers. What happened in Siam would depend on developments in Indochina and Malaya. Aside from occasional governmental upsets and prospects of others, therefore, the country was largely ignored.

#### b. The Philippines

ORE 78-48  
"Current  
Situation  
in the  
Philippines,"  
March 30,  
1949

There is likewise not much comment on the Philippines, though for a different reason. There was no question that the Philippines were vital to United States strategy both in Southeast Asia and the Pacific in general; and there was little doubt that if Communism once began to spread through the rest of the region, it could, and probably would, stimulate the movement in the Philippines to a dangerous extent. The Philippines were, nevertheless, generally taken for granted in view partly of traditional United States-Philippine ties but chiefly because of Philippine dependence upon the United States for physical and economic security.

10/69

1. CIA 12-49, p. 9

10/70

1. CIA 7-48, p. 8

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c. Burma

ORE 35-48  
"Current  
Situation  
in Burma,"  
March 17,  
1949

Mention of Burma is also infrequent, perhaps because the situation was too fluid for profitable analysis and forecast, and because Burma, despite its independence, remained primarily a British liability from a United States point of view. The editors of the "Review", however, were by no means unaware of the potential danger represented by Burma to United States security interests in the Far East. Their general views were summed up in the issue of March 16, 1949:

"Burma is in serious trouble. Its internal situation--now grown into full-blown civil strife---has brought the country to the edge of bankruptcy. The government consists of little more than ambitious, inexperienced, and inept young doctrinaires---all left-wing and all nationalist. Karen separatists control or encircle the three major Burmese ports. Rice exports, on which Burmese economy depends, have been practically shut off. Communists, as well as other political dissidents, are taking advantage of chaotic conditions. Mounting disorder, with no visible hope of its being brought under control, has fundamentally shaken all plans for a better economic future. Insofar as those plans were linked to rice production and export, their failure affects the stability of a considerable part of rice-consuming Asia."

d. Malaya

ORE 33-49  
"Current  
Situation  
in Malaya,"  
November 17,  
1949

Reporting on Malaya begins with the issue of July, 1948 when it is noted that "the extent of Soviet penetration in Southeast Asia has been rendered more apparent by the outbreak of violence in Malaya where local Communists (predominantly Chinese) are conducting a campaign of destruction and terrorism against the operation of rubber estates and tin mines. A major British effort will be required to safeguard the continued production of these strategic materials." By September, the outbreaks were said to be "largely neutralized," but a British estimate was mentioned to the effect that it might take as much as two years to bring the movement fully under control. Thereafter, mention of Malaya is rare.



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e. Indochina

With respect to Indochina, the "Review" was hampered by the lack of any formal coordinated estimates on the subject. From 1947-1949, furthermore, the Indochinese situation was always somewhat elusive. For example, even as late as 1949 doubts existed over the extent of Communism in the Viet Minh. Ho Chi Minh was a more subtle problem than Mao Tse-tung. Central Intelligence could not even be sure that Ho was alive. Furthermore, it was not until June, 1948 that France "recognized" an "anti-Communist" government in Indochina; and not until June, 1949 that Bao Dai was "restored to the throne of Annam." In the intervening period, there always appeared to be a chance of a settlement at least as satisfactory as that under negotiation in Indonesia.

Even so, the first direct mention of Indochina in the "Review" (December 17, 1947) shows a clear comprehension of the situation. "In French Indochina, the continued efforts by the French to eliminate by force the Communist-dominated government of the Vietnam Republic has strengthened native loyalty to the Vietnam government and has intensified the already widespread hatred of the French."<sup>1</sup> In July, 1949, the "Review" again took up the theme, saying that "...the endurance of Vietnam as the principal stronghold of Communism in Southeast Asia is underscored by the ineffectualness of the French-sponsored Xuan regime and the ambiguity of French policy toward it."<sup>2</sup> A year or more later, much the same was said about the Bao Dai regime and French policies toward it. Again, in September, 1948, the "Review" commenting on a deteriorating situation in Indo-china, took occasion to underscore

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1. CIA-3, p. 9
2. CIA 7-48, p. 8

10/72

1. CIA 9-48, p. 5
2. CIA 4-49, p. 7

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the delicacy of the US position: "The development of a favorable US influence is unlikely in these circumstances. Its growth would necessitate putting undesirable pressure on already unstable French government and would require the provision of economic aid to Indo-China at an unfavorable moment."<sup>1</sup>

Until almost the end of 1949, however, the chief concern of the "Review" with Indochina was as part of the huge game of chess being played by the United States and the Union of Soviet Socialist Republics over domination of the "periphery of Asia." In this region---and characteristically in Indochina---the United States was caught between the demands of the "cold war" and traditional United States support of aspiring nationalism. As the "Review" put it in April, 1949, "in Indonesia and Indochina, US security is perpetually balanced between undermining a Western Ally by supporting an Asiatic nationalist movement, or destroying the remains of a US position on the continent of Asia by indirectly helping to suppress such aspirations."<sup>2</sup>

In the issue of October, 1949, the "Review" published what amounted to a full-scale estimate (probably the only Central Intelligence estimate on the subject appearing up to that time) which, in general outlines, resembles later and more elaborate papers published in the "ORE" and "NIE" series as agreed national estimates:

"The possibility that the governments of Southeast Asia will recognize Communist-controlled China and the probability that Indochina will fall completely into the hands of a Communist-oriented government adds to the difficult security problem in Asia. With the forces now available, the French can do no more than maintain the present stalemate in which French troops occupy major cities and strategic positions in the Red and Mekong deltas, but actually control only 10

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percent of the disputed territory. The political strength of the anti-colonial nationalist movement, the bulk of which has rallied to Ho Chi Minh, has encouraged the Vietnamese to hold out for unconditional independence. The Bao Dai regime, gravely handicapped by French slowness in transferring substantial elements of sovereignty as agreed in March, has been unable to avoid the implication of being a French puppet government. It is unlikely that Bao Dai will be able to win over any appreciable part of the resistance movement unless the French grant his government independent status within the French Union. Even under these circumstances, there is no assurance that Bao Dai could muster sufficient local backing to prevent a nationalist government, hostile to both the French and his own regime, from taking over power.

"If present circumstances continue basically unchanged, the Vietnamese nationalists will probably be able to drive the French out of Indochina within two years. The acquisition of power by a government under Ho Chi Minh, in conjunction with pressures from Communist China, would almost certainly greatly strengthen an existing tendency in Thailand, Burma, and Malaya to seek accommodation with Communist China. Since Indochina may prove to be the key to control of the whole Southeast Asia peninsula, it also might be the critical breach in the non-Communist crescent around China, which now consists of India, the Southeast Asia peninsula, Indonesia, the Philippines, and Japan. The US interest in preserving this crescent intact is therefore threatened by the current trend in Indochina." 1

#### f. Indonesia

The problem of Indonesia, as followed by the "Review" during 1947-1949, was in part that of Communist elements gaining control of an area and in part fear that continued strife in the Dutch East Indies would succeed in cutting off the supplies that would be vitally needed by the United States in case of war.

Dutch-  
Indonesian  
Agreement,  
January 18,  
1948

The direct clash of Dutch and Republican forces in the Indies began early and may have appeared more spectacular than that brewing in Indochina. Otherwise, to the editors of the "Review," it was all part of the same problem which had been averted by the British in their carefully prepared withdrawal from the Indian sub-continent and

10/73

1. CIA 10-49, p. 6

10/74

1. CIA 1-49, p. 5
2. CIA 4, p. 6

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by the United States in its longer prepared withdrawal from the Philippines. French and Dutch colonial interests in the Far East, having seen their wealth destroyed by the Japanese while they were powerless during the war, were loath to see the process carried to its logical conclusion by the natives. They believed that natives, as of yore, would eventually be amenable to the less gentle forms of Western persuasion. Central Intelligence doubted this. "It is believed," said the "Review" in January 1949, "that the Indonesian Republic is capable of maintaining guerrilla operations for several years. It is known that the Republic has substantial financial resources beyond Dutch reach."

ORE 26-48  
\*Prospects  
for a  
United States  
of Indonesia"  
August 4

New  
Fighting  
Breaks  
out in  
Indonesia  
December  
1948

The January issue of the "Review" warned that: "The Dutch, by forming separatist states in territories taken from the Republic and still in dispute, and by presenting as an ultimatum, truce terms which would hardly permit the continued existence of the Republic, have gravely jeopardized the mission of the UN Good Offices Committee, in which the U. S. occupies the key position. The collapse of the Republic, from internal causes if the Dutch terms were accepted, or from Dutch military action if the terms were rejected, would seriously affect the prestige of the United Nations and the United States. Soviet and Communist propaganda and Asiatic opinion would attribute that development to 'imperialistic' U.S. intervention."

Although Communism was not particularly widespread in Indonesia, the "Review" pointed out that short-sighted Dutch policies might well have the effect of making it so. Thus in September 1948, the "Review"

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remarked: "The Netherlands government shows signs of a desire to settle the situation by force, after first defining the Republic as Communist-dominated. Frustrating delays have in part served this purpose, for militant left-wing elements have recently merged into a stronger Indonesian Communist Party and are threatening the present moderate government."

ORE 40-49  
"Consequences  
of the Dutch  
'Police  
Action'  
in Indonesia"

By December, the combination of continued failure of negotiations in Indonesia and the success of Communism in China prompted what amounted to a warning that United States policy must prepare for the worst: "If the dispute falls back into the violent stage, Indonesian affairs are in graver danger than ever before of being manipulated by Communist groups and of thus becoming an extension of developments in China. If the dispute reverts to the United Nations for action by the Security Council, it can only do so in a way that will call for a clear definition by the U.S. of its security interests in Indonesia."

The "Review" of the following month made Indonesia a major theme in the absence of any important new developments in Europe. Here the discussion is generalized and is based on the Agency's considered view that "over the long run" the Dutch could not control the situation. If so, the prospect was almost certainly for a long period of discord in Indonesia which would be to the benefit of the Communist and other extremist elements in the islands at the expense of the more moderate Republican nationalists; and generally to the benefit of the USSR in the Far East as well, possibly as in Europe.

10/75

1. CIA 9-48, p. 5
2. CIA 12-48, p. 5
3. The fact that a relatively satisfactory Dutch-Indonesian settlement was finally reached may seem to give evidence of too great pessimism on the "Review's" part. On the other hand, sound intelligence may have had a part in ensuring the settlement.

10/76

1. See, Nos. and
2. CIA-1, p. 7
- 3/ CIA-2, pp. 6-7



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#### 4. Korea

What was written in the "Review" about Korea was primarily a supplement<sup>1</sup> to the recurrent warnings contained in the "ONE" estimates.

The sentence on the subject in CIA-1 (September 1947) reads:

"The stalemate in Korea can be broken only by U.S. acceptance of terms which would in effect surrender that country to the USSR as a satellite. United States efforts to make the best of the status quo must be conducted in the face of persistent Soviet subversive activity and propaganda pressure."<sup>2</sup>

CIA-2, in November, attacked what became the more immediate problem. After pointing out that the Soviet attitude had made impossible a unification of Korea such as that envisaged at Victoria, the "Review" continues:

The immediate Soviet objective is to compel the U.S. to withdraw from Korea, and further Soviet action with that specific purpose must be anticipated. It may well be that the USSR, acting on its own proposal, will itself withdraw from North Korea, relying upon its puppet regime and the North Korean People's Army to continue to represent its interests. Korean sentiment regarding unity and independence is such that, in the event of a Soviet withdrawal, the South Koreans themselves would subject the United States to such pressure to withdraw also as might render the position politically untenable. A U.S. withdrawal would be followed by unification, and eventually of course, by Soviet domination of the entire country through Korean Communist penetration and control."<sup>3</sup>

UN Decides  
to  
Supervise  
Korean  
Elections,  
February  
27, 1948

At the beginning of 1948 attention was focussed on plans for the election of a new government in Korea. The Korean people were interested more in unity and independence than they were in the auspices under which these ends were to be achieved. The only faction in South Korea unamenable to Communist "unification" was that of Syngman Rhee.

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ROK  
Elections  
Held  
May 10,  
1948

An exclusively Rhee government could effectively be characterized by the Communists as "reactionary" and under the domination of "imperialists." On the basis of this theme, the "Review" said, the USSR was in fact manufacturing a local war scare which "would seem to be preparatory to 'defensive' action by the 'Korean People's Army'; if necessary to overthrow an unrepresentative Rhee regime on the withdrawal of U.S. forces from South Korea." The "Review" had already said in February that it was improbable that any South Korean government if left to itself could survive.

North  
Korean  
Government  
Proclaimed  
July 12

Month after month, the "Review" outlined a general situation in Korea which was by no means promising from any United States point of view. A South Korean regime could be properly elected and duly set up, but it would be unrepresentative of anything in Korea except the Rhee Syngman faction and certainly less representative than the North Korean government. In other words, South Korea, now clearly become a United States protégé, would be particularly vulnerable to Soviet propaganda containing a large measure of indisputable truth.

ROK  
Proclaimed  
August 15

The North Korean People's Republic had shown every sign that it was ready to demand the withdrawal of all foreign troops at the earliest opportunity. It was obviously to be Soviet strategy to accede to this demand, utilizing the withdrawal to exert pressure on the United States to do the same. Then, when the Occupation was at an end, it was the intention of the North Koreans to "unify" the country after their own fashion. There were numerous attractive and practical ways in which they could do this.

USSR  
Announces  
it will  
withdraw  
from  
North Korea  
by January,  
September 20

10/77

1. CIA 4-48, April 8, p. 8

ORE 44-48  
"Prospects  
for  
Survival  
of the  
ROK"  
 October 28

Meanwhile, according to the Review, the government the United States was in effect sponsoring had many of the characteristics of a slender reed. "At the same time that the existence of the Korean Republic comes increasingly to depend on a continuation of U. S. military and economic aid," said the "Review" in December 1948, "the South Korean government is reducing the effectiveness of that aid by its short-sighted ineptness. Its security measures are oppressive and terroristic and are cutting down its popular support. Its administrative inefficiency is threatening to undermine the chances of building up a viable economy. Its methods add to rather than diminish the defeatist spirit of the new Republic; and the strength of its fears can be measured by the completeness of its demands for U.S. backing.

The June 1949 issue of the "Review" had the following comment on Korea:

ORE 32-48  
"Communist  
Capabilities  
in South  
Korea"  
 February 22,  
 1949

"The scheduled start of U.S. troop withdrawals produced so much official apprehension publicly communicated that symptoms of mass hysteria appeared. Unless the Republic assumes an air of confidence--justifiable at least for the short run--hysteria can easily grow into panic. Actually, since the Republic's armed forces are at least equal in number and superior in equipment to those of North Korea, an immediate test of strength is not likely. Popular panic, stimulated by hysterical government publicity, has recently done more to prepare the ground for the destruction of the Republic than have direct acts of the Communists."

U.S.  
 Decides  
 to  
 Withdraw  
 Troops  
 from SK,  
 April 19

This estimate is, of course, not inaccurate, depending on how one interprets the phrase "for the short run." On the other hand (in retrospect) it displays a certain unwritten complacency.

IN Commission  
 on Korea  
 complains of  
 border fighting  
 June 29, 1949

This complacency was probably more than anything a case of crying wolf. By the time when CIA 6-49 was published, invasions of Korea from the north had been the subject of predictions--some frantic, some

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judicious--for as much as three years. Nothing had ever happened. Central Intelligence had on more than one occasion intimated that if American troops were taken out of the country, an invasion would occur immediately. Now the withdrawal was under way, and still the situation along the 38th parallel was no more menacing than usual. Other events were looming very large, and particularly in the Far East, the dying gasps of Nationalist China became a natural preoccupation of intelligence. In that context, Korea seems to have been to all intents and purposes forgotten until the rude awakening of June 25, 1950<sup>1</sup>.

ORE 3-49  
"Consequences  
of US with-  
drawal from  
Korea in the  
Spring of  
1949",  
February 28

#### E. THE ANALYSIS OF LATIN AMERICA

Coverage of Latin America in the "Review" is mentioned here chiefly because of the disproportionate space it occupied in the publication. Although the Western Hemisphere was relegated to a fourth priority in the scheme of things worked out by the editors of the "Review," and although there was no disposition in the Central Intelligence Agency to suppose that anything of note affecting the security of the United States was going to happen in the area during the period under discussion, few issues of the "Review" lack a South American analysis, and some of these analyses are fairly detailed.

In general, the "Review's" attitude toward conditions in Latin America is one of vague anxiety over the possible course of events. One element, summed up in CIA-1--which was in turn merely a reflection of the current estimates on the subject--was the development of Communism in the area. It was not thought that this was of immediate

10/79

1. After June, 1949 there were no formal estimates on Korea until June, 1950, and the country was seldom mentioned in the "Review". See no.

10/80

1. CIA 7-48, p. 9
2. CIA 8-49, p. 6

-80-

importance in itself or that the USSR had any immediate designs on Latin America, but it was maintained that enough of Communist espionage and sabotage capability had been developed to become dangerous in event of war. Otherwise, the analysis was concerned with changes that seemed to be taking place in the underlying social and economic fabric of Latin America. Approximately what is said in several issues of the "Review" is summed up in CIA 7-48:

"It is becoming increasingly evident that Latin America is approaching political and institutional crises that may seriously affect its ability to afford valuable cooperation to the United States. Stability in the region has been shaken by the impact of rising import prices on raw material economies, by the disappearance of many of the former bases of political power, and by the ability of the extreme right and the extreme left to exploit the growing power of labor. Merely palliative measures, such as repression of Communist parties, are unlikely to cure the underlying unrest, or to create a new broad basis of political power, or noticeably to diminish the capabilities of subversive elements to exploit the disturbed situation." 1

One estimate on a particular Latin American country is of interest because it exactly foreshadows two estimates in the "NIE" series written as a matter of urgency two years later. In August 1949, commenting on the results of the murder of Colonel Arana in Guatemala, the "Review" wrote:

The government's local stability and its leftist orientation have both been strengthened. The Arevalo Government uses Communist sympathizers in important positions, has shown itself distinctly unfriendly to U.S. business interests, has aggravated the question of European dependencies in the Western Hemisphere, and has disturbed Caribbean affairs by aiding the revolutionary attempt against the Dominican Republic. While the government certainly does not have the ability--and probably does not even have the inclination--to side with the USSR in actual conflict, it will probably continue and may intensify its opposition to certain U.S. policies during the present 'cold war' period." 2

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F. THE WORLD ECONOMIC ANALYSIS

In addition to the economic analysis that accompanies the political in most estimates contained in the "Review," there are frequent brief appendixes to particular issues reviewing the world economic situation in general. These were probably of some value to readers of the "Review" in understanding the developing world situation. In any case, (aside from miscellaneous papers, chiefly on particular commodities) they probably represent the only visible result of the organization that had been built up in Central Intelligence to take care of economic intelligence.